

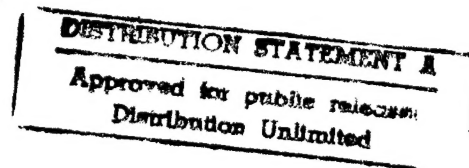
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# China Report

ECONOMIC AFFAIRS



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29 August 1985

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NATIONAL POLICY AND ISSUES

OUTLOOK FOR CHINA'S ECONOMIC DEVELOPMENT

Beijing JINGJI RIBAO in Chinese 21 May 85 p 2

[Article by Fang Weizhong [2075 4850 0022], alternate member of the CPC Central Committee: "Outlook for China's Economic Development"]

[Text] Allow me to give a general introduction to the strategic objectives in China's long-term economic development and to preliminary ideas on the Seventh 5-Year Plan.

In 1982, we had proposed to achieve by the end of this century the quadrupling of the whole country's industrial and agricultural gross output value as compared with 1980, and to have the gross value of our national production reach \$1 trillion. This is one objective. The second objective, to be achieved on the foundation of the first, is to have China attain within another 30 to 50 years a level of development close to that of the world's economically advanced countries.

What is the significance of stating these objectives? They are, first of all, to set up high aims and lofty aspirations among the Chinese people, namely to work hard persistently and unceasingly toward a prosperous and strong China and to bring common prosperity to our people in their livelihood. The statement of the above objectives also proclaims clearly to all the world that China's policy of opening up economically to the outside world will be China's long-term policy.

The following are some of the main problems that currently still exist in China's economy: Poor economic results of production, high material consumption, slow improvement in the quality of our products, and our production being structurally not attuned to consumption. Our energy sources and supplies of raw and other materials are insufficient. Transportation and communications are still extremely weak links. The training of qualified personnel does not yet measure up to the demands of our economic construction and developments. Our economic management system needs further restructuring.

The Seventh 5-Year Plan (1986 to 1990), which is now being formulated, will strive for a solid increase in our industrial and agricultural production, on the premise of higher economic results. Emphasis will not be placed on seeking excessively high rates of production, but rather on improving output

quality and raising economic results, on an even development of industrial and agricultural production, on the development of basic installations and of service industries and on rational and smooth economic relations, so as to provide most favorable conditions for economic growth during the coming decade.

According to changes in the structure of our consumption, we shall adjust the industrial structure and the investment structure so that production will conform to social needs. There will be even larger increases in the tertiary industries serving production and peoples' livelihood. To overcome the current shortages in energy sources and transport facilities and, furthermore, to prepare for the favorable conditions needed in our construction during the coming decade, the Seventh 5-Year Plan will pay particular attention to these two areas. To raise the present technological level of production in our enterprises, to increase the production of new products and raise product quality, we shall institute during the Seventh 5-Year Plan an energetic and step by step promotion of technological restructuring in our enterprises. The utmost developmental effort will be made in the fields of education and of science and technology. To meet the needs of our domestic construction, a further expansion of economic and technological interchanges with foreign countries will take place during the Seventh 5-Year Plan.

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CSO: 4006/788

## NATIONAL POLICY AND ISSUES

### BEIJING MEAT SALES FALL 'DRAMATICALLY' SINCE PRICE CONTROL LIFTED

HK300321 Beijing CHINA DAILY in English 30 Jul 85 p 3

/Text/ Sales volume of pork, beef and mutton has dropped dramatically in Beijing since state control over nonstaple foods was lifted in early May, but the supply of eggs has run short.

Pork sales in June totaled 9.14 million kg, about 2 million less than the same period last year. Pork stockpiles increased by 40 percent, said Xu Shouzheng, head of Beijing Municipal Price Bureau.

Since early May, daily sales volume state-run shops has hovered at 250,000 kg, 200,000 less than the corresponding period last year.

Sales volume of beef in June decreased by 80 percent over the same period a year ago and storage increased by 80 percent.

The same month, mutton sales declined by 65 percent to 230,000 kg, said Xu.

Eggs have been selling well since early May. But since mid-June, supplies have been pinched. State distribution centers could only purchase 100,000 kg of eggs a day from the suburbs to meet a market demand of 200,000 kg.

Analyzing the decline of meat sales and the shortage of eggs, Xu pointed to high prices for meat, low prices for eggs.

Consumer buying followed price, he said, residents purchasing power is switching from meat to eggs. Per capita egg consumption rose from 1.6 kg in April to 1.9 kg in May, increasing sales volume citywide by 2.1 million kg.

Low egg price also caused suburban egg farmers to look elsewhere for markets, selling their products to other cities and provinces that paid higher prices.

Xu said municipal officials have taken steps to readjust meat prices to counter the trend.

CSO: 4020/312

PROVINCIAL AFFAIRS

TOP ECONOMISTS TO ATTEND GANSU ECONOMIC MEETING

OW301220 Beijing XINHUA in English 1157 GMT 30 Jul 85

/Text/ Lanzhou, 30 Jul (XINHUA)--A symposium on economic development in western China will be held in this Gansu provincial capital from 10 to 20 August, local officials said here today.

Participants include officials and planners from the 11 provinces and autonomous regions in western China. Leading economists and scholars Xue Muqiao, Ma Hong, Yu Guangyuan and Fei Xiaotong and representatives from eastern Chinese provinces will also attend.

Western China covers 6.15 million square km--more than 60 percent of the country's total land mass--but its population of 292 million is only 28.5 percent of the total.

The provinces and autonomous regions are rich in natural resources, including nonferrous metals, rare earth, nonmetal minerals, pasturelands, water and medicinal herbs.

Although there has been marked progresses in agriculture and industry over past three decades, many remote, mountainous areas inhabited by ethnic minorities are still economically backward compared with the east.

Chinese leaders Hu Yaobang, Zhao Ziyang and Wan Li have visited western regions and provinces several times in recent years. They have suggested that China should shift the focus of economic development to the northwest by the turn of the century.

The symposium is being sponsored by economic research center attached to the state council, economic research center under the state planning commission, China Society for Economic Restructuring, "economic daily" and authorities of the 11 provinces and autonomous regions.

Eighteen major subjects will be discussed at the symposium, including strategies and steps of economic development, western China's role in the country's modernization and cooperation between west and east.

CSO: 4020/312

PROVINCIAL AFFAIRS

HEBEI REPORT ON 1985 ECONOMIC, SOCIAL DEVELOPMENT

SK020353 Shijiazhuang HEBEI RIBAO in Chinese 1 Jul 85 pp 2, 3

[Excerpts" of the report on the draft plan for the Hebei Provincial economic and social development for 1985, delivered by Cao Jinzhang, vice chairman of the Provincial Planning Commission, at the Third Session of the Sixth Provincial People's Congress--date not given]

[Text] The draft plan for the provincial economic and social development for 1985 has been drawn up in line with the demand of comprehensively fulfilling the Sixth 5-Year Plan and with the new situations emerging in the current economic life.

1. Results of the Implementation of the Plan for 1984

In 1984, the people throughout the province conscientiously implemented the principle of "invigorating the domestic economy, and opening to the outside world," and scored great achievements in the national economic and social development under the development of party rectification and the economic structure reform. The total production of society increased by 14.9 percent over the previous year; and national income increased by 14.4 percent. The province prefulfilled and overfulfilled the 58 major targets set by the Sixth 5-Year Plan, such as the targets for the total production of society, the total industrial output value, the total agricultural output value, the national income, the revenue, the total volume of retail sales, the enrollment of institutions of higher learning, and the output of grain, cotton, oil-bearing seeds, dried and fresh fruits, draft animals, aquatic products, crude oil, finished steel products, small tractors, automobiles, cement, and plate glass. In 1984, our province made great strides in the economic and social development. The major indicators of achievements in this regard were as follows:

1) The rural economy was full of vitality, and the commodity production developed vigorously. Under the guidance of the guidelines of the No 1 document of the CPC Central Committee, the province's rural economy flourished as never before. In 1984, the total product of society in rural areas reached 25.63 billion yuan, a 20.2-percent increase over the previous year. Following the substantial increases in the previous 2 years, the province reaped another bumper harvest in agricultural production in 1984. The total output value created by agricultural departments (including the industrial enterprises at or below the village level) came to 19.47 billion yuan, a 17.7-percent



increase over the previous year. Substantial increases were also made in forestry, animal husbandry, and fishery. Total output of grain reached 37.4 billion jin; that of cotton, 2.1 billion jin; and that of oil-bearing seeds, 1.2 billion jin, all being a record high. The province also fulfilled the targets for output of dried and fresh fruits, flue-cured tobacco, sesame, afforestation, pork, beef, mutton, and aquatic products.

Along with the development of the rural commodity production, a large number of economic associations with various forms emerged, specialized and socialized services became more popular, and the structure of production changed. In 1984, town and township enterprises developed rapidly, and the total income of such enterprises came to 10.7 billion yuan, an 86.9-percent increase over the previous year. The proportion of the rural industry in the total production of society in rural areas rose from 19.5 percent in the previous year to 24.7 percent. In 1984, more than 2 million rural laborers were released from the traditional cropping industry to engage in the breeding industry, the processing industry, the building industry, the transport trade, the mining industry, the commercial trade, the service trade, and the diversified undertakings.

2) The industrial production increased substantially, and economic results were somewhat improved. In 1984, the provincial total industrial output value reached 29.23 billion yuan, a 14.9-percent increase over the previous year. Quality of products and economic results were somewhat improved. A total of 17 products produced by the province won state gold and silver prizes, 455 products were named as quality products by the province, and 1,769 products were newly developed. In the total industrial output value, the proportion of output value created by quality products of key industrial enterprises rose from 18.8 percent in the previous year to 25 percent. The per-capita productivity of the state-owned industrial enterprises designated to undertake independent accounting increased by 11.8 percent over the previous year. The taxes and profits delivered by the industrial enterprises covered by the provincial budget increased by 15.9 percent over the previous year, and the deficit incurred by the money-losing enterprises was reduced by 46 percent.

Relatively rapid progress was made in transportation, postal, and telecommunications services. The provincial volume of railway freight transport increased by 7.1 percent over the previous year, and that of passenger transport increased by 16.5 percent. The volume of freight carried by all transportation means increased by 46.3 percent; and that of passenger transport by every transportation means increased by 18.7 percent. The provincial post and telecommunication transactions increased by 103 percent.

3) Relatively good results were achieved in the key construction projects, and the pace of technical transformation was accelerated. In 1984, the investment made in the fixed assets of the state-owned units came to 4.83 billion yuan, a 14.2-percent increase over the previous year. The investment in the energy industry increased by 12.2 percent; that in transportation, posts, and telecommunication by 11 percent; and that in the scientific, educational, cultural, and public health services, by 37.2 percent. In the total volume of investment, the proportion of the investment in the aforementioned fields

was further raised. In 1984, the province had an additional 2.1 billion yuan worth of fixed assets through capital construction. The rate of availability of such assets reached 76.5 percent.

In 1984, the investment in the renewal and transformation projects of the state-owned units and in other fields came to 2.09 billion yuan, a 34.7-percent increase over the previous year. The structure of investment in the technical projects somewhat changed. Completion of some technical transformation projects further improved the province's capacity and economic efficiency in the fields of the energy industry, the supply of raw materials, the light and textile industries, the transportation, postal and telecommunications services, and the urban public utilities.

4) The revenue increased, the market flourished, and economic and technological cooperations with foreign countries expanded. In 1984, the provincial revenue came to 3.91 billion yuan, an 11.6-percent increase over the previous year. A total of 152 new-style markets, 66 trade centers, and some 100 specialized markets were built or were being built across the province. The number of individually run commercial, catering, service, and repair shops reached 490,000, with a total employment of some 740,000 people. Purchases and sales of commodities at markets were brisk. The scale of foreign trade was expanded continually. In 1984, the total value of exported commodities came to \$760 million, an 11.9-percent increase over the previous year. The tempo of utilization of foreign capital was accelerated. New progress was made in economic and technological cooperation. In 1984, our province established cooperative ties with 19 provinces, municipalities, and autonomous regions, thus promoting the province's economic development.

5) New achievements were made in the scientific, educational, cultural, public health, and sports undertakings. In 1984, 731 scientific and technological findings passed assessment, 58 more than the previous year. Of them, 8 reached the level the foreign developed countries reached in the late 1970's, and 60 reached advanced domestic level. Of the 209 scientific and technological findings covered by the plan for appraisal, 80 percent was popularized and was applied to production. In particular great achievement was scored in popularizing and applying microcomputers. The technical market began to emerge, thus promoting the market of scientific and technological findings. New progress was made in running the school system with diversified forms. In 1984, institutions of higher learning enrolled 49,000 postgraduates, 7,000 more than in the previous year. Secondary specialized schools enrolled 67,000 students, 7,000 more than in the previous year. The local-run institutions of higher learning added architecture, industrial management, and computer courses which were new or insufficient in the province, thus raising the proportion of specialized courses. Adult higher education institutions enrolled 49,000 students, 14,000 more than in the previous year. The reform of the educational structure of primary and middle schools developed in depth. All counties in the province had agricultural middle schools, and about one-fourth of the counties had vocational middle schools. Agricultural and vocational middle schools enrolled 51,000 more students than in the previous year. The teacher-training education was further strengthened. The province had 189 normal universities and schools, with a total enrollment of 47,000 students. Rural areas across

the province raised more than 100 million yuan of funds earmarked for running schools, thus bringing about a new situation in which the state, collectives, and individuals made concerted efforts to run schools. Advances were made in public health work. The number of hospital beds reached 110,000. Remarkable results were achieved in family planning work. The natural population growth rate was 11.32 per thousand. New headway was made in cultural, art, broadcasting, television, and publishing undertakings. The mass cultural activities developed vigorously. The province's athletes scored outstanding achievements in sports events held at home and abroad. In 1984, they won 93 gold, 72 silver, and 66 bronze medals.

6) The income of urban and rural dwellers increased, and living standards of the people improved in 1984. Along with the development of production and construction, in 1984, the province gave jobs to 327,000 urban workers. Income of workers, staff members, and peasants increased greatly. The per-capita net income of peasants reached 345 yuan, 47 yuan more than in the previous year. The average annual wages of workers and staff members came to 918 yuan, 121 yuan more than in the previous year. Urban and rural savings deposits totaled 7.96 billion yuan, a 38.4-percent increase over the previous year. The people's consumption level in eating, clothing, and using of daily necessities was raised greatly. In 1984, houses completed in urban and rural areas totaled 37.62 million square meters, of which, 4.83 million square meters were in urban areas. This relieved the pressure on housing conditions.

Under the excellent situation, some problems still existed. For instance, the macroeconomic management was carried out improperly in some fields. We failed to conduct enough study in the ratio between the economic and social development. The information forecasting work was not carried out vigorously. The comprehensive application of the economic lever lagged behind.

In 1984, 18 counties in the province experienced serious natural disasters, and the people in some remote border areas still lived in strained circumstances.

The Provincial People's Government has adopted measures to gradually solve the abovementioned problems.

## 2. The Drafted Plan for 1985

The year 1985 is the last year to implement the Sixth 5-Year Plan as well as the first year to implement the CPC Central Committee's decision on the economic structure reform. This year, we should, first, make a good beginning for the reform of the price system. Second, we should carry out the reform of wage system step by step. Third, we should comprehensively fulfill the Sixth 5-Year Plan and make necessary preparations for the Seventh 5-Year Plan. The major tasks of the plan are: We should actively and properly reform the entire economic structure focusing on the urban economy, further develop the productivity, and invigorate the economy. We should make a rational arrangement for the consumption fund, vigorously grasp the production of means for consumption, develop the tertiary industry, and make proper arrangements for the people's livelihood. We should control the issuance of credit and currency, control

the scale of investment in the fixed assets, and ensure the construction of key projects. We should accelerate the tempo of technical transformation, actively develop new products, and attend to the upgrading and updating of products. We should adhere to opening to the outside world, and pay attention to organizing economic and technical cooperations with and importing capital, equipment, and talents from foreign countries. We should speed up the scientific and technological progress and the training of talented people, and develop the intellectual resources. We should successfully draw up the Seventh 5-Year Plan. We should also develop the economy in a sustained, stable, and coordinated manner under the prerequisite of improving the economic results, fulfill all the targets set by the Sixth 5-Year Plan, and create conditions for the Seventh 5-Year Plan and for the vigorous economic development in the last decade of this century.

In line with the abovementioned talks, the major content of the drafted plan is as follows:

1) We will increase production and revenue, centering on the improvement of economic results. The 1985 plan budgeted the total production of society at 64.56 billion yuan, a 7.6-percent increase over the previous year; the national income, at 29.7 billion yuan, a 6.6-percent increase; and the revenue at 4.107 billion yuan, an 8.2-percent increase.

2) We will further readjust the structure of agricultural production, and vigorously develop the commodity economy. In developing the rural economy of 1985, we will suit measures to local conditions, give different guidances to different cases, choose the most favorable natural resources to carry out comprehensive exploitation, further accelerate the development of town and township enterprises, comprehensively develop agriculture, forestry, animal husbandry, sideline production and fishery, and conduct comprehensive management of agriculture, industry, and commerce. The cropping industry should first increase the grain production, properly readjust the species of products, improve the quality of products, and strive to produce a total of 40 billion jin of crops, of which, output of wheat should be 15 billion jin while cotton should be 1.35 billion jin. We will attend to rationalizing the distribution of the rural economy, and gradually build well the province's eight major bases for production of agricultural and sideline products in line with the respective production conditions and superiority in natural resources. We will actually change grain and other agricultural sideline products to production of other food-stuffs, rapidly promote the development of the feed industry, and accelerate the development of animal husbandry and the breeding industry. The projected total output of meat is 658,000 tons.

3) We will continue to accelerate the production of energy resources, raw materials, and consumer goods. Readjusting the structure of production and products, accelerating the production of energy resources, raw materials, and consumer goods, and striving to improve economic results are still the major tasks for the industrial development. This year, we will strive to achieve far more greater results in these aspects.

In terms of the energy and raw materials industries, this year, the projected output of raw coal is 52.83 million tons; that of electricity, 25.12 billion

kwh; that of rolled steel, 1,508 million tons; that of cement, 7.27 million tons; and that of plate glass, 6.2 million standard boxes. All of these planned targets show an increase, except for the target for the raw coal production which was due to the natural disasters at Kailuan coal mine. The coal industry will, on the one hand, strive to tap potential, and organize production items, and will, on the other hand, designate a part of natural resources to the masses and let the masses raise funds to exploit these natural resources in order to increase their production. The power industry will accelerate the construction of the first 200,000-kw generating unit of the Xingtai Power Plant, and strive to complete this project before 1 October. We will attend to the first-stage preparations for building the Shangan Power Plant, in order to ensure the construction of the plant to begin in 1986. We will depend on the masses to expand new energy resources, such as solar energy, marsh gas, terrestrial heat, and wind energy, in order to relieve the contradiction between energy supply and demand.

In terms of consumer goods production, we will pay attention to readjusting the internal structure of the light and textile industries, vigorously develop new products, attend to the upgrading and updating of products, increase designs and varieties of products, improve the quality of products, and strive to suite the market demands.

4) We will shift the focus of economic construction to technical transformation, rebuilding, and expansion projects. For 1985, the state fixed the province's total scale of investment in the fixed assets at 3.72 billion yuan, of which, the investment in capital construction is fixed at 2.95 billion yuan, and that in renewal and transformation projects at 776 million yuan. Of the investment in capital construction, 1.06 billion yuan will be invested in locally-developed projects. In line with the State Council's principle on placing the focus on the fixed assets investment on developing technical transformation, rebuilding, and expansion projects, and developing as fewer new projects as possible, the investment directly issued by the central authorities will be mainly used to build the Kailuan mining zone, the Douhe power plant, the Tangshan locomotive plant, the water transmission project of the south Luanhe diversion channel, the Qinghuangdao harbor, the Yaohua glass plant, the Huabei oilfield, the Daqin railway line, and three other energy, transportation, and raw materials projects. The 124 million yuan of the investment directly allocated by the provincial authority and covered by the provincial budget will be mainly used to develop intellectual resources, agricultural projects, and the final stages of the projects which will be completed within the year. The funds raised by localities themselves will be mainly used to develop the energy, transport, raw materials, and light and textile industries and the scientific, educational, and public health undertakings.

The technical transformation projects will be centered on upgrading and updating products, lowering energy consumption, increasing economic efficiency, stepping up the reserve strength of enterprises, and renovating the textile, ceramic, and medical industries. The 1985 plan calls for carrying out 34 large-scale key technical transformation projects, developing 110 new products, and creating 450 provincial quality products and 20 state high-quality products.



5) We will speed up the exploitation of scientific and technical resources and the training of talented people. The 1985 plan calls on us to tackle 54 scientific research projects and 235 scientific and technical problems. In the joint-research for tackling the major technical problems, the plan calls for carrying out such scientific research projects as developing the natural resources of Yanshan, developing computer software, developing the building materials, developing the optical fiber cable communications, preventing and curing epidemic diseases of domestic animals, growing the selected fine-variety fruit trees, breeding aquatic products, developing fine chemical industrial products, developing new textile products, exploiting raw materials for the papermaking industry, and developing new technologies for making paper pulp.

In education, we should place emphasis on readjusting the ratio of the structure, layer and subjects of education, improving the quality of teaching, strengthening the vocational, normal, and adult education, reforming the educational system, training talented people through various channels, and rapidly adapting the educational undertaking to the economic development. According to the 1985 plan, the enrollment of the locally run ordinary institutions of higher learning will increase by 24.3 percent over the previous year; that of secondary specialized schools, 37.1 percent; that of the adult high educational institutions, 67.4 percent; that of adult secondary educational institutions, 353 percent; and that of agricultural and vocational middle schools, 61 percent.

6) We will expand domestic and foreign trade, and vigorously promote the technical imports and economic and technical cooperations according to the 1985 plan, the total volume of retail sales will reach 20 billion yuan, a 20-percent increase over the previous year. The supply of commodities possible will generally meet the total volume of the people's purchases. However, along with the changes of the consumption structure, a short supply of high- and middle-grade commodities will exist. In addition to actively developing the production of consumer goods urgently needed on markets, we will strive to import from other provinces more commodities which are scarce in our province in order to increase the supply of goods and enliven the urban and rural markets.

We will extensively organize economic and technical cooperations with foreign countries and other provinces, and expand foreign trade. For 1985 the plan fixed the volume of foreign trade and export at \$1.599 billion yuan, a 110 percent increase over the previous year. This mainly results from the big increase in export of crude oil. We will actively develop the production of the traditional and to-brand products to meet the needs of domestic and foreign markets and to expand the volume of export. Through extensive economic and technical cooperations, we will import more advanced technologies, equipment, and funds from foreign countries and from other provinces in the country.

7) Along with the constant development of production, we will further raise the living standards of the people. The ultimate aim of the socialist economy is the constant improvement of the material and cultural levels and living

standards of the people. In 1985, we will correctly and properly handle the relations among the state, collectives, and individuals on the basis of developing production in order to further improve the living standards of the people. According to the plan, in 1985, the annual per-capita net income of peasants will reach 400 yuan; the average annual cash wage for workers and staff will reach 1,000 yuan; people's clothing, food, housing, and transportation levels will be improved continually; and efforts will be made to enable all people hit by the Tangshan earthquake to move into new houses.

### 3. Overfulfilling the 1985 Plan and the Sixth 5-Year Plan in a Comprehensive Manner

In order to overfulfill the 1985 plan in a comprehensive manner, the most basic way is to firmly implement the decision of the 3d Plenary Session of the 12th CPC Central Committee, and to actively, prudently, and systematically carry out the reform of the entire economic structure focusing on the urban economy. To invigorate enterprises and the economy, we should consciously apply the law of value to establish a united and flexible planning system. IN accordance with the State Planning Commission's "Provisional Regulations on Improving the Planning System" which was approved and relayed by the State Council, our province has already put forward specific opinions for its implementation. Guidance planning will be applied to all major agricultural products. Restrictions will be lifted for all agricultural products, except for grain, cotton, and oil-bearing seeds which will be purchased under contracts due to their direct bearing on the people's livelihood. Industrial products subject to mandatory planning will be reduced from 80 in the past year to 36 this year, and the products under mandatory planning assigned to commercial units will drop from 63 to 10. More significant materials and goods will be left to the operation of the market.

To make the microeconomic activities meet the general demand of the national economic development, this year, we will devote our efforts to the following tasks in the course of further carrying out the reform, opening to the outside world, and invigorating the economy.

- 1) Strictly control the total scope of credit and cash circulation. According to the state-assigned plan, this year our province will put 1.4 billion yuan of currency into circulation, a 34 percent decrease from the previous year. To fulfill the state-assigned plan and to ensure the smooth development of the economic structure reform, we should strictly control the scope of credit and currency to be put into circulation, further strengthen and improve the credit and fundmanagement methods of banks, and issue loans according to plan. Meanwhile, we should adopt feasible measures to actively withdraw currency from circulation.

- 2) Strengthen the management of consumption funds, and strictly control its unreasonable growth. At present, we should conscientiously and properly set the distribution ratio of enterprises' income among the state, collectives, and individuals, and raise the proportion of revenue in the national income. We should prevent production funds from changing to consumption funds. We should issue bonuses and collect bonus taxes in strict accordance with stipulations. Continued efforts should be made to control the institutional

purchases. We must resolutely correct such new unhealthy trends as issuing excessive bonuses, subsidies, allowances, and gift tickets in violation of the pertinent regulations set by the State Council and the Provincial People's Government, arbitrarily increasing wages and giving promotion, and giving floating promotions.

3) Strengthen the management of capital construction plan, and control the scope of investment in the fixed assets. To proportionally develop the national economy, in line with the guidelines of the "State Council's Circular on Controlling the Scope of Investment in the Fixed Assets," we must strictly control the scope of investment in the fixed assets within the state-assigned target. Meanwhile, we should strengthen the macroscopic guidance to the capital construction projects and technical transformation projects arranged by collective-owned units. We should also control the ill-considered projects, duplicated projects, and the projects which consume much energy and cause serious pollution.

4) Strengthen the management of foreign exchanges. We should strictly implement the state-assigned target on utilizing foreign exchanges, properly manage and use foreign exchange allocated to the province by the state, and strive to achieve far better economic results from foreign exchanges. The foreign exchanges should be mainly used to import advanced technologies and key equipment and raw and semifinished materials which are urgently needed by the province but cannot be provided by our country. In distributing foreign exchanges, priority should be given to the units capable of earning foreign exchanges. To prevent blind and duplicated imports of foreign capital and to prevent the foreign capital from going out of control, foreign exchanges will be managed by the Provincial Planning Commission in a unified manner on the basis of overall balance from now on, and the Bank of China should give supervision over the utilization of the foreign exchanges in line with the stipulations. To ensure the balance between receipts and payments in foreign exchanges, and to maintain a certain payment capacity, we should actively develop exports in order to increase income from the foreign exchanges.

CSO: 4006/833



PROVINCIAL AFFAIRS

XIANG NAN REPORT AT FUJIAN PARTY CONGRESS

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[Report delivered by Xiang Nan at the Fourth Fujian Provincial CPC Congress on 28 June 1985: "Fujian Should March in the Van of the Four-Modernizations Drive"]

[Text] Comrades:

On behalf of the Third Fujian Provincial CPC Committee, I am now delivering this report to the Fourth Provincial Party Congress for you deputies to examine and discuss.

The 5 Years of Opening to the Outside World and Making Reforms

It has been more than 5 years since the Third Fujian Provincial Party Congress was held in December 1979. These 5 years marked a period of historical change since the implementation of the line of the 3d Plenary Session of the 11th CPC Central Committee in our province. It was 5 years noted for Fujian's initial success in opening to the outside world and in implementing the special policies and flexible measures. It was also 5 years characterized by Fujian's victorious advance in economic and social development.

During these 5 years, party organizations at various levels in Fujian did a great deal of work under the guidance of the CPC Central Committee's correct line. In general, they grasped three main tasks: Liquidating the "left" ideas, opening to the outside world, and carrying out reforms.

1. Grasp the task of liquidating the "left" ideas and thoroughly carry out the Marxist ideological line of seeking truth from facts and proceeding from reality in doing everything,

Efforts to restore the party's ideological line of seeking truth from facts began with the discussion of the question of the criterion for truth. By taking the actual situation of our province into consideration, the vast number of cadres have made ceaseless efforts to study so as to raise their awareness and do away with the "left" ideas' influence. They have discarded the viewpoint of the "two whatevers" [whatever policy decisions Chairman Mao made must be resolutely supported and whatever directives he issued must be consistently followed], broken the mental fetters that limited people's minds and the depressive situation characterized by ossified thinking, and finally straightened

out the ideological line. In all rural areas of our province, various forms of production responsibility systems, primarily the contract responsibility systems based on the household with remuneration linked to output, have been quickly established after eliminating obstacles of one kind or another. Steps have been taken to reform the rural areas. All these have laid a sound ideological foundation for emancipating the minds of party members and cadres in the province, for eliminating chaos and restoring order, and for implementing the open and reform policies.

It is due to the elimination of the "left" ideas' influence that we have been able to implement the principles and policies established by the central authorities, corrected a large number of unjust, false, and wrong cases, and settled many issues left over from history. We have reported to and obtained approval from the central authorities in the cases of correcting comrade Zeng Jingbing's erroneous charges, settling the left-over questions concerning the involved members of the former Fujian-Zhejiang-Jiangxi Regional Party Committee as well as other leaders, cadres, and masses, and correcting the erroneous charges against and restoring the prestige of the former leading organs of the underground party organization, their principal responsible persons, and other wrongly treated comrades. We have earnestly carried out the policy in dealing with the case of the underground party, restored the brilliant image of the Fujian underground party that waged a long revolutionary struggle and made proper settlement of the underground party cadres according to their various situations. We have reexamined and resettled some 270,000 cases concerning the movements of the "Cultural Revolution," "four clean-ups," "clearing out impurities," and "opposing right deviation," as well as over 17,000 old historical cases. Work has also been done to correct the cases of those who were erroneously classified as rightists. We have also seriously implemented the policies on Overseas Chinese and their dependents and on our Taiwan compatriots and their families, have corrected the erroneous charges restored the prestige of those who were persecuted or framed because of their "overseas relations," and have made positive efforts to have the occupied private houses of Overseas Chinese returned to their owners. In addition, a great deal of work has been done to implement the policies on the united front work, on minority nationalities, and on religious beliefs. The implementation of these policies has aroused the initiative of the vast numbers of party members as well as the people of all social strata and has consolidated and developed the political situation marked by stability and unity.

It is due to the elimination of the influence of the "left" ideas that we have been able to shift the focus of the party work to economic construction. In the past, many tasks were held up because we took class struggle as the key link and failed to grasp the central work of economic construction. Since the 3d Plenary Session of the 11th CPC Central Committee, all party comrades have gradually come to understand that they must firmly grasp economic construction as the central task and make a success of every task linked with economic construction. In particular, with the commencement of the full-scale party rectification, we have persisted in using party rectification to promote reforms, the implementation of the open policy, and the work of economic construction, bringing about an unprecedented excellent situation on industrial and agricultural production. The shift of focus of our work has affected all

aspects of our economic base and superstructure and exposed a number of drawbacks in our systems and work. This has given us inspiration and impetus in carrying out reforms in all fields.

Thanks to the elimination of "left ideas," we were able to rely on Fujian's mountain, sea, overseas Chinese, and other unique resources in readjusting important strategic plans for our province's economic construction, and in proposing a concept for building up eight bases (forestry, animal husbandry, fishery, industrial crops, light industry, economic relations with foreign countries, science and technology, and reunification of the motherland). The "Program for Building Eight Bases in Fujian," adopted at the 3d Session of the 6th Provincial People's Congress, has further inspired the people of the entire province to make use of Fujian's mountain and marine resources to build up the "eight bases."

Thanks to the elimination of "left ideas," we were able to thoroughly negate the "Cultural Revolution," to successfully carry out the task of overcoming factionalism and eliminating the "three kinds of people," to readjust the leading groups at all levels, to strengthen the buildup of the "third echelon," to promote unity in the contingent of cadres, and to propel the work forward in various fields.

Thanks to the elimination of "left" ideas, we were able to still better implement the policy on intellectuals. Today our party has become increasingly aware of the need to respect knowledge and professional people, and use that knowledge to solve problems. At the two plenary sessions held respectively in 1982 and 1984, the Provincial CPC Committee adopted two resolutions, one for strengthening educational, and the other scientific and technological, work. Following the implementation of these resolutions, the party's policy on intellectuals has been further implemented, and a new situation has emerged in educational, scientific, and technological work.

Practice has shown that, only by continuously eliminating "left" ideas--currently the most pernicious tendency--and checking rightist tendencies, can we persist in the ideological line of seeking truth from facts, and maintain political uniformity with the CPC Central Committee.

2. By opening to the outside world and developing economic and trade relations with foreign countries, our province's economy is beginning to evolve into an open-type one.

Opening to the outside world is an important strategic decision of the party Central Committee. Fujian must implement special policies and take flexible measures in order to be more open to the outside world. Over the past 30 years and more, because of a total lack of international intercourse and the requirements of coastal defense, as well as interference and destruction during the 10 years of turmoil, Fujian has suffered from a weak industrial base, shortages in transportation means and energy, and backward communications facilities--all this has made the task of opening to the outside world more difficult.

To change this backward situation, we have proceeded from Fujian's reality, and, with the support of departments concerned in the central authorities, we first concentrated our limited financial resources on basic facilities, including the construction, expansion, and renovation of a number of projects. During first-state construction, 10 projects were included, of which 2 were airfields, 2 harbors, 2 railways, 2 power plants, and 2 telephone exchanges. In addition, we have built a number of tourist facilities to improve the environment for investment, and create initial conditions for opening to the outside world.

Over the past 5 years, we have introduced over 600 new technological items with our own funds. Over 300 have been put in production, which has enabled a number of enterprises to raise their technological level and upgrade their products. We have also introduced a number of advanced management methods to raise the enterprises' economic results. Of the total increase in last year's industrial output in our province, one-third resulted from imported technology and management methods. Thanks to the 30 production and assembly lines imported over the past 5 years, our province has jumped from 16th to 6th place in total output of electronic products in the nation.

To cope with the problem that, in Fujian, conditions for investment are not as good as in neighboring provinces, we have implemented the "three mores" (more preferential, more flexible, and more favorable) in order to attract more investments by overseas Chinese and foreign businessmen. To encourage joint ventures with overseas Chinese and foreign businessmen, we implemented the "three we will's" (we will if the joint venture benefits both sides; we will if it benefits us less than the other party; and we also will if it makes us suffer a little loss temporarily, but benefits us all in the long run). In the special economic zones, we have implemented "four specials" (special mission, special policy, special environment, and special methods). All these have reflected our province's specific application of the Central Authorities' principle and policy, and have played a vital role in attracting foreign capital into our province.

We have borrowed from foreign countries to buy ships and build international airports. We have issued private bonds in Japan. All these are bold moves. We have given support and protection to controversial enterprises, enabling them to develop and expand.

We have actively promoted international economic and technological cooperation, exported labor, contracted for construction projects in some Southeast Asian and African countries, and have set up a number of joint ventures in foreign countries.

These tasks have improved our province's appeal to the outside world and helped Fujian develop economic relations and trade with foreign countries. Over the past 5 years, our province has signed contracts with overseas Chinese and foreign firms on over 690 items; and the total amount of foreign capital approved from use has reached over U.S. \$600 million, of which, some 440 million were approved for use last year. Over the past 5 years, our province's foreign trade has reached U.S. \$3 billion, and we have earned some U.S. \$2

billion in foreign exchange. All this shows that Fujian has achieved initial results in opening to the outside world.

While opening ourselves to the outside world, we have paid attention to the development of an open domestic economy, and adopted some positive measures in this regard. Agreements on a number of cooperative products have been signed with Jiangsu, Guangdong, and Sichuan Provinces, and Beijing and Shanghai municipalities, as well as the Ministries of Astronautics Industry, Aeronautics Industry, Communications, Coal Industry, and Nuclear Industry, the Chinese Academy of Sciences, and several major universities. Some of these projects have already started. We can say that initial steps have been taken to develop an open domestic economy.

Simultaneously with the implementation of the open policy, we have persisted in grasping both the material and spiritual civilizations, and paid attention to correcting unhealthy trends and resisting negative outside influence. We have tried ceaselessly to get rid of those decadent and vulgar cultural dregs, and to strike at smuggling and selling of smuggled goods, as well as serious criminal offenses. This has further raised the standards of social conduct, improved social order, and led to a still healthier development in the work of implementing the open policy.

### 3. Grasp Reform and Begin Changing the Rigid, Divided, and Closed-Door Economic Structure.

In the past few years, we have explored ways of, and made progress in, reforming our province's economic structure. In doing so, we have changed from a state of being not fully aware of the need for reform, to one of full awareness of this need. The work of reform has been unfolded step by step from the countryside to the cities, and from the economic base to the infrastructure. In general, there were three stages: The first covered the period from 1979 to 1980. During this stage, the provincial CPC Committee and some party organizations were far from being aware of the need to institute the contract responsibility system in rural areas. There were even some cases of resistance to this system, and it was necessary to correct such cases. The second stage was from 1981 to 1983, when a breakthrough was made in popularizing the contract responsibility system in the rural areas, based on the household, with remuneration linked to output, resulting in the emergence of a large number of specialized households, and opening up a broad avenue for the peasants to change their state of poverty and become well-to-do. Implementation of the flexible policy led to a relatively fast development of village and town enterprises and diversified operations. At the same time, the system of "integrating government administration with commune management" was gradually changed. Rural reform promoted and supported reform in the urban areas and the opening of cities to the outside. Enterprises put into effect the system of profit retention and a variety of responsibility systems, including full responsibility for profit and loss and the system of operations contracts. Most enterprises switched from the system of profit delivery to that of tax payment as the first step in the program of replacing profit delivery with tax payment. Initial steps were taken in industrial reorganization and formation of associations. The state, collectives and individuals all tried to facilitate



the flow of goods, and a commodity circulation system characterized by many channels and layers, and with numerous elements but less intermediate links, was in the making. The third stage, which covers the period from 1984 to the present, is marked by an accelerated pace in making reforms. Government administration has been separated from enterprise management, to increase enterprises' vitality and expand their decisionmaking power. As the second step in the program of replacing profit delivery with tax payment, state-owned enterprises have begun to pay tax instead of turning profits over to the state. The contract responsibility system has been set up within all enterprises, and the practice of eating from the two "big pots" has been done away with. Further efforts have been made to develop and improve the multiform economy and the diversified operations. Governments at all levels have delegated certain powers to the next lower level, and most of the enterprises originally owned by the province and prefectures have become enterprises of lower levels. Reforms have been carried out regarding planning, commerce, the building industry, science and technology, banking, and labor and personnel management. Enterprises and commodity circulation have been enlivened. Fuzhou, Xiamen, Sanming, Putian, Zhangzhou, and Quanzhou cities have put into practice the measure of the city leading the counties [Shi dai xian 1579 1601 4905]. The Xiamen Special Economic Zone has been expanded to include the whole island. Fuzhou has been opened to the outside world. Mawei has become an economic and technological development zone. The Xiamen-Zhangzhou-Quanzhou triangle in southern Fujian has also been opened to the outside. In short, initial steps have been taken to develop foreign economic relations. During this stage, our province has made some relatively influential trial reforms. For example, the contract system has been introduced in cities, control over enterprises has been loosened and more powers have been delegated to them. We have instituted the old-age pension insurance system and the taxable floating bonus system for contracted workers and for staff members and workers of collective enterprises. Collective enterprises of the second light industrial category have begun to practice self-management, take responsibility for their own profits and losses, select their own cadres, recruit their own workers, and establish their own wage systems. Fuzhou Pencil Factory has carried out a reform characterized by the combination of "responsibility, power, profit, and rules." Dongjiekou Department Store has introduced a reformed operational method characterized by "responsibility, flexibility, excellence, and seriousness." All these are being popularized.

After the 3d Plenary Session of the 12th CPC Central Committee, the Provincial Party Committee, resolutely implementing the CPC Central Committee's decision on restructuring the economy, put forward a "tentative plan for restructuring Fujian's economy in the near future," which is being vigorously implemented throughout the province. Price and wage reforms have begun to yield initial results. As the current situation shows, prices are fairly stable, and are better than expected.

In the past 5 years, we have been concentrating on eliminating "leftist" ideas, implementing the policy of opening to the outside world, and carrying out economic reform. Fujian's economy began to undergo a sustained and stable growth because our efforts in this respect were undertaken in line with the guidelines of the 3d Plenary Session of the 11th CPC Central Committee and

the 12th CPC Central Committee and in accordance with Fujian's actual conditions and the aspirations of the 26 million people of the province. In the past 5 years, the province's total industrial and agricultural output value has grown at an annual rate of 10.8 percent; national income has gone up at an annual rate of 15.3 percent; and there has been a marked increase in society's economic results. What was particularly gratifying was that our province's industrial production in 1984 grew by a 2-digit number, achieved good results in 3 respects, and that the output value of village and town enterprises rose by over 50 percent compared with 1983. In the past 5 years, fairly rapid progress has been made in the areas of education, science and technology, culture, news reportage, publication, public health, and physical culture; there has been a big change in the masses' mental outlook and a marked improvement in the living conditions of the urban people.

It was mainly due to the guidance of the party Central Committee's correct line, principles, and policies, to the concerted efforts of Fujian's party organizations and people and PLA commanders and fighters, as well as to the vigorous support of the masses of overseas Chinese and patriotic personalities, that Fujian was able to make these achievements in the past 5 years. Central leading comrades have made several inspection tours of Fujian in recent years. This has been a great inspiration to the masses of cadres, soldiers, and people in our province.

We have talked about Fujian's good situation and its new achievements, in contrast to those during the years of turmoil and to Fujian's history of development. If we compare Fujian with other fraternal provinces and cities, a big gap still exists. Our level of industrial and agricultural production and labor productivity are still fairly low; the growth of our foreign trade has been slow; our enterprises' economic efficiency has been unsatisfactory; the development of the special economic zone and construction of development zones have been slow; we have not done well in developing our coastal and mountainous areas; there has been uneven progress in the building of eight bases in Fujian; and the living standard of the people in a minority of areas is still fairly low. There were numerous objective and subjective factors giving rise to these problems. Examining them from a subjective point of view, we have discovered that the main reasons were that the provincial party committee's Standing Committee has not thoroughly emancipated its mind, unified its understanding advanced in unison, and grasped the implementation of policies. There were also other important reasons giving rise to our faults: We were not bold enough in carrying out economic reforms and in implementing the policy of opening to the outside world; our ideological and organizational work was weak; we failed to give priority to developing intellectual resources; and we were seriously affected by bureaucratism. In short, the root cause of these problems was that we failed to get rid of the "leftist" influence in our minds, and were restricted by outmoded rules and conventions. Moreover, our experiences and knowledge failed to meet the needs of the situation.

We have gained many experiences in the past 5 years, but the fundamental one tells us that we should firmly implement the line of the 3d Plenary Session of the 11th CPC Central Committee, continue to eliminate "leftist" influence,

be bold in carrying out economic reforms, and persist in opening to the outside world. Henceforth, in doing our work, we must continue to emancipate our minds, seek truth from facts, and continue to eliminate "leftist" influence; we must make opening to the outside world, economic reforms, and invigorating the domestic economy our long-term principle for Fujian's economic development; and we must make the upgrading of economic results, the development of socialist commodity economy, and the development of productive forces the goal of our economic work as a whole.

#### Lay a Solid Foundation for Fujian to Advance in the Van of the Four Modernizations Drive

"We hope that Fujian will advance in the van of the four modernizations." This is the party Central Committee's ardent expectation of us, and is also the common goal which the party members and people of Fujian are striving to fulfill by the end of this century. The result of our work in the next 5 years has a great impact on the realization of this grand goal.

The targets of Fujian's economic and social development for the next 5 years are the following: On the basis of the base figure of 13 billion yuan in 1980, efforts will be made to double Fujian's total industrial and agricultural output value by 1986 or 1987 in order to pave the way for quadrupling the output, substantially increasing the people's income and improving their cultural and material life. Meanwhile, efforts will be made to keep the natural population growth rate at around 10.5 per 1,000 through careful family planning work, and to maintain ecological balance by doing a good job in environmental protection. We must work hard to quickly bring about a turn for the better in our financial and economic situation, and in the standard of social conduct, to raise the building of material and spiritual civilizations to a new level, and to advance Fujian's four modernizations drive to a new stage.

For the 15 years from the present until the end of this century, the key to whether or not Fujian will rank among the advanced in the modernization drive lies in whether or not during the first 5 years we can lay a solid foundation for the remaining 10 years. We must use the experience of economic construction we accumulated in the past 30 years and more to gradually develop industries by using our concentrated know-how and technologies and basically completing the technical transformation of our existing enterprises. In addition, we must construct a number of new basic facilities, including the Shanxikou hydropower station and the two thermoelectric power stations in Zhangping and Fuzhou. Construction of the 1.4 million-kw Shuikou power station and the Zhangzhou-Quanzhou railway, completion of the Yingtian-Xiamen and Laizhou-Fuzhou railway electrification projects, construction of the Sannan highway connecting Fujian, Jiangxi, and Hunan and a number of deepwater wharves, making good preparations for developing Meizhou Wan, and gradually building our basic industries and supporting industries--all this will basically improve Fujian's communications and energy resources and further increase our productive force. We must also further develop our maintain and marine resources, and build the "eight bases" for tapping our natural resources potential. We must make great efforts to develop village and township



enterprises, reduce the distinction between town and country, speed up the construction of special economic zones and districts opening to the outside world, attract foreign capital, import foreign technology, and extensively establish associations with units in other provinces so as to expand Fujian's ties at home and abroad. We must make good use of our favorable conditions, including our large numbers of overseas Chinese and our geographical position facing Taiwan. We must bring into full play Fujian's latent superiority in mountain and marine resources, in the number of overseas Chinese, and in special economic zones. Furthermore, after implementing the policy of excellency by strategy, we have continuously developed our education, science, and technology and trained large numbers of qualified personnel. All this will have a profound influence and powerful impact on Fujian's economic development.

The speed of Fujian's economic growth in the past few years has been higher than the national average. A good trend of sustained development has appeared. It is quite possible that the people of Fujian will be able to double the total industrial and agricultural output value 3 or 4 years ahead of schedule in the 1980's, and again 4 or 5 years ahead of schedule in the 1990's. In 1984, Fujian's per-capita income advanced to 15th place in China. In future, we will certainly speed up the development of Fujian's economy and march in the van of the modernization drive. This is the common wish of all the people of Fujian. We must have high aspirations and great confidence to turn this wish into reality.

To achieve the goal we are fighting for, we should solve the following several questions by laying emphasis on guiding ideology:

1. Unflinchingly make reforms in the economic structure.

Comrade Deng Xiaoping pointed out: We are now promoting socialist modernization, not modernization of another system. We are adopting the policies of opening to the outside world, enlivening the economy, and making reforms with a view to developing socialist economy and realizing communism in future. In future, while keeping to the four fundamental principles, Fujian must unflinchingly make reforms in the economic structure and spur on reforms in all other sectors.

The reforms we are making now are a profound revolution. By making reforms we will break with the rigid, compartmentalized, closed-door economic pattern formed over a long time, build a new socialist economic structure with Chinese characteristics, and open up a wide venue for overall development of our social productive force. Facing the new situation in which the entire nation is marching forward while making reforms, Fujian should march in the van of the four-modernizations drive and take the lead in opening to the outside world. Fujian should speed up making reforms and march in the van of reform.

We must keep to the general orientation and goal of our reform in the economic structure, but we must also be careful in taking specific steps in making reforms. We must proceed by taking one step at a time and look around before

taking another, so that we can solve each question as it arises, control our speed of reform, and leave room for a change in our decisions. Making reforms is a process of trial and exploration, and success is not guaranteed with each trial. As for questions concerning economic life, we must analyze them and make a distinction between unhealthy trends and deviations in making reforms. It is necessary to persistently resist unhealthy trends, and solve in good time questions that arise in making reforms. The questions that arose in the fourth quarter of last year were questions that cropped up in reform. Some of them were difficult to avoid; therefore, we must not be panic-stricken by them; much less must we refrain from making reforms for fear of running a slight risk. In short, reform is a question of orientation and principle. It is allowed to make mistakes in making reforms, but it is not allowed not to make reforms; much less is it allowed to have those who fail to make reforms punish those who make reforms. It is necessary to draw a clear line of demarcation in applying the policy of protecting the enthusiasm of those who make reforms. Leaders who fail to positively make reforms or fail to achieve results within a given period must be replaced. As for those comrades who actively make reforms, even though they may make some mistakes in their work, as long as they do not seek personal gains, we should help them correct their mistakes while solving the pertinent problems on one hand and supporting their continued advance on the road of reform on the other.

In the next 5 years our overall reform will focus on restructuring the urban economy. Our reform is aimed at gradually transforming our cities into multifunctional, socialized, modern economic centers opening to the outside world. Urban reform is even more complicated than rural reform, and the tasks involved are more arduous than those for rural reform. Therefore, party and government leaders at all levels should regard urban reform as their constant central task and strive to do it well. Urban reform involves simplifying administrative procedures, delegating powers to lower levels, opening to the outside world, and invigorating enterprises. Invigorating enterprises is our priority, but a prerequisite in achieving this goal is simplifying administrative procedures and delegating powers to lower levels. We should concentrate our main resources on invigorating key enterprises and the more important large and medium-sized enterprises. We should take advantage of the favorable conditions of our province and transform old enterprises by importing advanced technology. To stimulate the rapid growth of socialist commodity economy, we must respect the law of value and expand the regulatory role of the market. We should open up all kinds of markets, such as consumer goods markets, means of production markets, commodity markets, monetary markets, technology markets, information markets, and labor markets. Every city should determine the structure of production and set up enterprises in the light of its characteristics, thus forming an economic network centering on itself and the surrounding satellite towns. We should continue to explore the work of making cities guide counties, and towns guide villages. We should sum up our experiences in this work and popularize them.

Placing emphasis on urban reform does not mean we can relax the reform in rural areas. In restructuring the rural economy, we must readjust the structure of production and the structure of the agricultural economy; reform the purchasing and marketing system for agricultural and sideline products; and

continue to promote production by specialized households. In addition, we must encourage various forms of cooperation and interunit associated operations carried out on a voluntary basis, improve the rural cooperation economy, and speed up the growth of village and town enterprises. We must promote intensive farming and do away with one-crop farming, a past backward practice that yields poor economic results. We must develop a comprehensive processing industry for agricultural and sideline products, increase the volume of marketable agricultural and sideline products, and transform our agriculture from a system of production into one of production as well as marketing. Only if these things are done well can our rural and urban reforms advance simultaneously and promote each other.

2. Actively take the initiative in enforcing special policies and flexible measures.

The party Central Committee recently adopted a decision to permit Guangdong and Fujian Provinces to continue to implement special policies and flexible measures in their economic activities with foreign countries, in order to encourage the two provinces to achieve quicker and better results in economic development and to continue their explorations and sum up their experiences in restructuring the economy and expanding economic exchanges with foreign countries. We must earnestly implement special policies and flexible measures, work hard, and contribute to the overall development of the national economy and the great cause of reunification of the motherland.

In the past few years our province has achieved initial success in implementing special policies and flexible measures, but our achievements have been far from meeting the requirements set by the party Central Committee. In the next 5 years, under the guidance of the party Central Committee's principles and policies, we will open our doors wider to the outside world, adopt more flexible measures, and encourage everyone to boldly make explorations and seek truth from facts. We must achieve quicker and better results in building the Xiamen Special Economic Zone. We will build Fuzhou into a city which truly opens to the outside world, build the Xiamen-Quanzhou-Zhangzhou delta in southern Fujian into an important base opening to the outside world, and step by step open Putian, Ningde, and other coastal areas to the outside world so as to transform Fujian's over 3,000 kilometers of coastline into a forward zone opening to the outside world. We must regard developing economic relations with foreign countries as a strategic principle for enlivening Fujian's economy. Domestically, we should gear ourselves to the needs of the rest of the country; internationally, we should gear ourselves to the needs of the rest of the world. We should strive to increase exports, expand sources of export products, open up the international market, promote economic and technical exchanges with foreign countries, take advantage of Fujian's favorable conditions for opening to the outside world, and turn Fujian into an important base for developing international trade and earning foreign exchange. Some of the party Central Committee's policies authorize the Xiamen Special Economic Zone to set up a free port. This is something the other three special economic zones are not authorized to do. We should boldly and actively make explorations and create the conditions for setting up a free port.

To implement special policies and flexible measures and to expand our foreign economic relations, we should fully utilize the beach and shallow sea areas in coastal villages to develop the production of fish, shrimp, shellfish, and seaweed so as to earn more foreign exchange. We should give full play to the favorable conditions of the hometowns of overseas Chinese and pursue the policy of utilizing capital and technology from abroad and making joint efforts at home. It is necessary to grasp the work of introducing foreign capital and technology into our province as an important task and, at the same time, give full scope to the initiative of the people of interior mountain areas so that those areas will make more contributions and develop at a quicker pace in opening to the outside world. Judging from the realities in Fujian, the development of our interior mountain areas also requires the implementation of "special policies and flexible measures." More than two-thirds of our province is mountainous and is noted for abundant resources, considerable development potential, and the capability of making great contributions. On the other hand, however, there are the problems of poor transportation facilities, backward science and technology, and the lack of sound economic foundations. Particularly in old revolutionary base areas, minority-inhabited areas, and remote areas, there are still many poor villages. We should regard the acceleration of the economic development of these areas as a major part of Fujian's strategic economic policy. Active efforts should be made to develop forestry, fruit production, and various native products and local specialties in those areas. Grassy mountains and slopes should be exploited for raising cattle, sheep, goats, and rabbits. Hydropower and mining should be developed in those areas where such resources are available. In formulating policies, we should give more flexible treatment to those areas. In planning for their construction projects, we should take into consideration the local resources and try to include in the plan more light industrial projects that involve intensive processing, require shorter production time, reap greater economic benefits, and do not require much in the way of transportation. We should take it as an urgent task to help the mountain areas, old revolutionary base areas, minority-inhabited areas, and remote areas to exploit their resources and to solve the problems of poor transportation facilities, backward technology, and lack of qualified personnel. With regard to the lack of qualified personnel, we may put a more preferential policy into effect to enable the intellectuals to work contentedly in mountain areas and to train more qualified personnel according to the needs of those areas. The policy of giving preferential treatment to those areas and relate special regulations should be actually put into effect. While it is important to give financial and material support to those areas it is more important to help them by implementing special policies and solving their problem of qualified personnel. To develop Fujian's economy, we should grasp two things: one is the development of the coastal areas; the other is the development of the mountainous areas. While developing the coastal areas, we should make great efforts to develop the mountainous areas along the railways in the northern, central, and western part of our province. When these two things are fully grasped, the economy of all of Fujian will be advanced.

The central authorities want Fujian to implement special policies and flexible measures; that is, under the guidance of the unified national policy, we should act in a flexible and special way in dealing with certain matters based

on Fujian's unique conditions and strong points. As to what special policies and flexible measures should be adopted, we cannot ask the central authorities to tell us rules and methods in every case. In the main, we should rely on our own efforts to explore through practice. It is a mistaken belief that requesting instructions from the central authorities and acting mechanically on higher level instructions in doing everything is to maintain unity with the central authorities. What we should do is to act under the guidance of the line established by the central authorities and decide on our own work principles according to the actual situation in various localities; that is, combine the central authorities' line with the actual local conditions. This is the Marxist method of leadership and is the way to truly maintain unity with the central authorities.

The implementation of special policies and flexible measures is not merely a job for the leading provincial-level departments, but a common task for the leading party and government organs and related departments at all levels in the province. Everyone is required to make active, positive efforts. Leading organs, including those in charge of the work in various specialized fields, must understand that to exercise leadership is to render service. Their job is to serve the grass-roots level and to resolve difficulties for those at the lower level. They should not merely say what is disallowed, but should say more about what may be done. Of course, in implementing special policies and flexible measures we will inevitably meet with difficulties and obstacles. We should be brave in overcoming the difficulties and breaking through the obstacles and should dare to take some risks. If some problems arise in work, the leaders should dare to shoulder responsibilities. For those measures without assurance of their propriety, we may initially implement them on a trial basis. If the trial implementation shows that they are in conformity with the objective and orientation of our reform work and in the interest of the state and people, we should boldly put them into effect. As for those regulations and rules that are obviously unreasonable and hamper the development of productive forces, we should dare to change or reform them. If we ourselves are unable to do so, it is imperative to actively report the problem to the higher authorities for solution.

### 3. Actively and prudently readjust the economic structure.

Fujian's economy must be changed from a closed one to an open one. To meet the needs of developing a large-scale socialist commodity economy, it is essential to unswervingly step up the tempo of readjusting the economic structure and properly handle economic relations in order to boost exports to earn more foreign currency.

First, it is necessary to properly readjust the production structure. Over a long period of time, we have done voluminous work in developing the primary (agriculture) and secondary (industry) industries. This is correct. However, we have overlooked the tertiary industry. We must understand that the tertiary industry's commerce, foreign trade, transport and telecommunications, finance and insurance, service trades, tourism, scientific and technological education, and information consultancy are closely related to the development of agriculture and industry. To improve the people's livelihood, it is all the more



necessary to develop tertiary industry. The state has unequivocally stipulated that it is necessary to include tertiary industry as one of the important ingredients in GNP. We must achieve faster growth for tertiary industry.

Industrially, we must properly readjust the production structure, product mix, and the technological makeup. To readjust the production structure, it is necessary to proceed from Fujian's actual conditions, and build up the 10 mainstay industries, namely, food, electronics, clothing, toys, construction, building materials, textiles, sensitive materials, petrochemical industry and forestry industry. Centering on the development of the mainstay industries, we must bring along the other industries in a coordinated way. In readjusting the product mix, we must mainly aim to develop the competitive products which can earn more foreign currency, and the medium and high-grade products to meet the needs of the people's constantly changing consumption pattern, namely, mechanical and electrical products, light-weight automobiles, household appliances, polyester filaments, modern furniture, and color films. We must not relax production of staple products to meet the people's basic livelihood needs, but must improve product quality and increase design and color variety to stabilize the buyers' market. The focus on readjusting the technological makeup should be placed on the pluralistic structure of the existing advanced technology, the intermediate technology and the traditional handicraft skills. However, the advanced technology must be expanded as soon as possible. We must particularly grasp well technology import, equip our enterprises with advanced technology and equipment, and allow more products to enter the international market.

In readjusting the rural production structure and the internal agricultural structure, we must bring into play the superiority of the mountains and the sea by focusing our attention on readjusting the relations between agriculture, forestry, animal husbandry, and the sea and the farmland. The coastal areas and other localities with the necessary conditions must simultaneously develop trade, industry, and agriculture. They must bring in the fine varieties and advanced technology, and sell fruits and aquatic products on the international market. To readjust the proportional relations between grain and economic crops is an important measure for readjusting the internal agricultural structure and is also an important strategic issue for the province's economic development. Fujian has always been a province insufficient in grain. To blindly pursue sufficiency in grain will not be conducive to bringing into play the province's strong points and avoiding the shortcomings, to developing its agriculture in an all-round way, or to developing a large-scale commodity economy. We must actively support and guide the masses to readjust well the relations between grain and the economic crops, and be liberated from the shackles of self-sufficiency or "taking grain as the key link." Readjustment must proceed from the local conditions. The strides of readjustment can be big or small, and we must not conduct readjustment in a "uniform way." We must particularly encourage the peasants to grow grain well in areas suitable for grain cultivation, and develop specialized households for grain production. In short, we must show respect for the masses' autonomy in production in regard to the kind of crops to be cultivated and use economic levers in our guidance, but must see to it that through agricultural reform and readjustment, and through releasing the potential fettered by the old production system, massive economic vitality will be produced. So long as

the socialist commodity economy is enlivened, all problems can be readily solved.

In readjusting the economic structure, it is essential to regard development of energy resources and transport as one of the strategic areas for development. Because of the lack of bituminous coal and petroleum and because of limitations to developing hydropower generation due to the dry season, Fujian is seriously short of energy resources. To solve the energy problem, Fujian must bring in large quantities of fuel from other provinces, and this calls for vigorously developing transport. To further open Fujian to the outside world and to enliven the domestic economy, it is necessary to first develop communications and relieve the transport problem. In developing communications we must simultaneously improve sea, waterway, highway, air and railway transport. Considering the natural conditions and the economic results, it is better to selectively develop sea and inland waterway transport. In accordance with the policy of bringing into play the role of the state, the collectives, and the individuals, and adhering to the principle of relying on the province and supplementing by assistance from the provinces and abroad, we must fully utilize all the resources to solve the important and imperative issue of developing Fujian's communications and transport.

#### 4. Persist in winning victories by strategy.

Winning victories by strategy means mainly mapping out a correct development strategy, relying on cultural and educational progress as well as scientific and technological advances, training more people to become qualified and competent hands, and giving full play to the role of knowledge and qualified personnel in our efforts to promote economic growth and social development. This is a strategic principle we should firmly adhere to in the next 5 years and in the many years to come.

An important aspect of winning victories by strategy in economic construction is to adopt the best possible policy decision, bring our strong points into full play and avoid our weak points, and achieve high yields and the best possible economic results with the least investment. For instance, we stress village and town enterprise development and regard such as a "spearhead" in promoting Fujian's economic construction. To set up village and town enterprises, the people themselves have pooled funds, provided the necessary labor, and secured markets to sell their products. This is the most effective method. If one-third of the villages and towns in the province can catch up with the prosperous level of the 100-million-yuan worth Chen Di, Ci Zao, Han Jiang, and four other similar villages and towns in the next 15 years or, in other words, by the turn of the century, Fujian's gross industrial and agricultural output value will be quadrupled by that time. This is in terms of the output value of the village and town enterprises alone.

In order to win strategic victories, we must attach importance to scientific and technological advances and make use of advanced domestic and foreign technological and managerial experiences. It is necessary to leap over certain stages of technological development, proceed from a point of farsightedness, and seize the hour in our efforts to narrow the gap between us and others.

For example, we have spent quite a bit of money to import the photo-sensitive material processing technology which will enable our provincial photo-sensitive material industry to reach the 1980's level in a short period. In developing machinery and electric products, we can start from the basic spare parts or the necessary assemblies with which we can occupy the market before we can rely mainly on our own efforts to turn out the major component parts of those products and take steps to have them all made domestically. This will enable us to quickly accumulate funds and experience, train the necessary personnel, and seize time in speeding up domestic development. If we start everything out of nothing and follow the beaten track of others, we will never know in what year we will be able to catch up with the advanced world level.

In order to win strategic victories, we must love knowledge and esteem competent people who are found in both areas of natural science and social science, including such ideological departments as literature and art, theory, the press, and publishing. We must not ignore these two areas, and we must attach equal importance to both. And it is especially important that we must correct the tendency of belittling social science. Both Chinese and foreign historical experiences show that whoever has a good grip on advanced scientific knowledge and possesses outstanding human resources will lead others by a great distance. We must achieve ideological unification, have a correct attitude toward intellectuals, and really understand that the modernization of science and technology is the most important of the four modernizations. We must firmly implement the party Central Committee's "Decision on Reform of the Scientific and Technological Structure" and do a good job in this reform as well as in implementation of various policies. To love knowledge and respect competent people, we must, first of all, attach great importance to education. Leaders at various levels should firmly establish the basic guiding thinking of directing education to serve socialist construction which, in turn, relies on education. The development of education should be included in meeting agendas, and follow-up actions must never be relaxed. We must resolutely implement the party Central Committee's "Decision on Reform of the Educational System," do a good job in their reform, and increase investment in education. Future increase in educational appropriations and in scientific and technological spending will top the increases in our normal revenue income. The average educational spending in terms of the number of students will also increase accordingly. Governments at all levels are required to save some money for education. Leading comrades should act as good "logistics officers" of the educational, scientific, and technological departments and are required to solve intellectuals' practical problems so as to free intellectuals from their household chores.

A highly urgent task at present is to reinforce the leading groups of all our scientific, technological and educational organs with cadres who are determined to reform, who understand the policies toward intellectuals, who are in the prime of their life, and who are imbued with an exploratory spirit. Since a democratic attitude will give rise to wisdom, decision-making organs must pay attention to giving play to the role of the consultative and research organs which play the role of "think tank," and heed the opinions of experts and scholars inside and outside the party, so that we can pool the wisdom of all



departments concerned. We must implement the policies toward intellectuals, and give full scope to the role played by the available intellectuals. Moreover, we must encourage capable people at home and abroad to work for us, and make sure that all intellectuals are able to give full scope to their abilities. When we are able to do this, Fujian's four modernizations can be expedited, and Fujian's economic growth will continue indefinitely.

5. Strive for a faster growth while paying attention to economic results.

In recent years, there has been a relatively fast growth in terms of the value of Fujian's total industrial and agricultural output and national income. From now on, we should seriously consider what the proper speed of Fujian's economic development should be. According to the expectations of the central authorities and the people of the whole country, and in terms of Fujian's potentials, it is essential for Fujian to maintain a relatively fast economic development. The growth we have achieved in recent years should be attributed to the central authorities' open and reform policies, which are compatible with objective economic law. The problems that have cropped up in the course of development are not formidable. They can be settled.

A relatively fast growth is one that conforms to subjective and objective conditions, one that Fujian's manpower and financial and material resources can tolerate, and one that can maintain a sustained and balanced development yielding the best social and economic results. As long as we can exercise proper control over macroeconomic planning, enliven microeconomic activities, uphold the reform and open policies, continue to invigorate and enliven our economy, and pay attention to controlling investment in fixed assets, credits, and use of foreign exchange and consumption funds, we certainly can ensure a steady economic development. On the other hand, if we ignore social needs and supply and demand, pay no attention to our financial and material capabilities, disregard balancing financial receipts, credits, supplies and foreign exchange, and unscrupulously seek unrealistic targets and growth, not only would we encourage formalism, showiness, unrealistic quotas, egalitarianism and indiscriminate transfer of resources, we would also create shortages in various economic sectors. While we might manage to achieve an excessive growth in a certain area at a certain time, the momentum can hardly be maintained owing to a lack of energy, communications and other infrastructural services, raw and semi-finished materials, and foreign exchange. Should that happen, it would have extremely unfavorable effects on the entire national economy, and obstruct successful reforms.

We should admit that Fujian's economic foundation is rather weak. Moreover, the Seventh 5-Year Plan period will still be a period for building the foundation. This means that many facilities will still be unproductive. However, if we can build a strong foundation in those several years, the growth during the decade after 1990 will be accelerated, and it will give Fujian a head start in accomplishing the four modernizations. By that time, things will be improving for us. In accordance with the guidelines set forth by the Central Committee for the Seventh 5-Year Plan, we must steer our economic construction to the new track on which the growth is realistic, the results are satisfactory, and the people will have real benefits.

6. Improve the work for overseas Chinese, intensify the operation toward Taiwan.

Fujian is a major hometown of countrymen living overseas. There are more than 6.7 million overseas Chinese and Chinese nationals residing abroad whose hometown is Fujian, and there are between 500,000 and 600,000 countrymen--whose hometown is Fujian--living in Hong Kong and Macao. These numerous overseas Chinese have played, and will continue to play, a significant role in expediting Fujian's economic construction. Especially after our province has opened its door to the outside world and other parts of the country, the broad masses of countrymen living overseas and their families in Fujian have been playing an increasingly important role in supporting the four modernizations and in expanding their influence abroad. From a long-range point of view, improving our work toward overseas Chinese--particularly the younger generation of overseas Chinese--is of far-reaching political and economic significance. Party committees at all levels in Fujian must therefore attach great importance to overseas Chinese affairs and earnestly intensify their leadership in this area.

The broad masses of overseas Chinese are keenly interested in the reunification of the motherland and its economic construction, wishing their motherland prosperity and affluence. We must protect and foster the overseas Chinese' patriotism and their love for their hometowns, mobilize the enthusiasm of overseas Chinese, returned overseas Chinese and their families in taking part in the four modernizations, and give still greater play to their role in encouraging more capable people to work for us, and in introducing more capital and technology into Fujian. Positive and effective measures should be adopted to encourage overseas Chinese and Chinese nationals living abroad to invest in their hometowns, and take part in economic construction of their hometowns, particularly in developing exploratory production, so that both overseas Chinese and their hometowns in Fujian will benefit. At the same time, we should also welcome them to sponsor public welfare projects. We should give full play to the superiorities of the overseas Chinese hometowns, namely their numerous capable personnel, capital, manpower and information, and take active measures to encourage returned overseas Chinese and families of Chinese nationals living abroad to establish enterprises, and develop various processing-on-order services and compensatory trade, so as to create more booming and affluent overseas Chinese hometowns and expedite the economic development in coastal and inland areas.

The work related to overseas Chinese is a long-term task. In doing this work, we should have a broad and farsighted view, promote the practice of making more friends, and strive to unite with more people. We should seriously implement the new regulations that relax the restrictions on people going abroad so as to make it easier for relatives of overseas Chinese and other citizens to leave the country if they want to go abroad. Continued efforts should be made to implement the policies on private houses owned by overseas Chinese and on intellectuals among returned overseas Chinese and relatives of overseas Chinese. When good work is done in implementing the policies, the work related to overseas Chinese as a whole will be enlivened.

Our province faces Taiwan and is the original native place of most of our compatriots living on Taiwan. In recent years progress has been made toward establishing postal, transport, and trade relations with Taiwan. Direct economic exchange has begun between Fujian and Taiwan; though it is not extensive, its influence is considerable. Of the eight bases we are building, one is the "base for reunifying the motherland." It is our duty to strengthen our work toward Taiwan and strive for Taiwan's early return to the motherland so as to complete the great cause of reunification. In particular, the proposal of the "one country, two systems" strategic concept and the satisfactory settlement of the Hong Kong question have evoked favorable responses internationally. We should seize this good opportunity, give full scope to the favorable conditions, and exert serious efforts to make our work toward Taiwan a real success.

We should take every opportunity to do propaganda and practical work according to the central authorities' policies so that the Taiwan authorities and people will believe our sincerity with respect to peaceful reunification. It is imperative to make friends extensively with people of all circles on Taiwan, actively develop economic, cultural, scientific, technological, and educational exchanges with that province, and expand postal, transport, and trade relations. In particular, great efforts should be made toward promoting direct trade with Taiwan and conducting an exchange of advanced science and technology and fine breeds of crops and livestock so as to accelerate the economic development of Fujian and Taiwan Provinces. It is imperative to further implement the policy on Taiwan compatriots and their relatives and to accomplish [word indistinct] toward Taiwan through the broad masses of overseas Chinese, Taiwan compatriots, and their relatives in our province. These people will be able to play a role which we ourselves cannot. We should unite all patriotic forces within and without the party, at home and abroad so that everyone will be concerned about Taiwan's return to the motherland and contribute to the great cause of reunification.

#### 7. Grasp the work of building a spiritual civilization.

In recent years, while remarkable progress has been made in economic construction, great achievements have been scored in various localities of our province in building the socialist spiritual civilization. Especially since the national meeting on the "five stresses, four beauties, and three ardent loves" was held in Sanming City of our province last year, party organizations at all levels throughout the province have earnestly implemented the guidelines set at this meeting and the "Resolution on Further Strengthening the Building of the Socialist Spiritual Civilization" adopted by the provincial CPC Committee. Activities of the "five stresses, four beauties, and three ardent loves" have been carried out on a greater scale in cities and the countryside, the party's ideological and political work has been improved and strengthened, and good results have been achieved in developing the campaigns to create civilized units and build civilized villages and towns through army-civilian joint efforts. However, our work of building the spiritual civilization still has considerable shortcomings. Many comrades still demonstrate a tendency of attaching more importance to the material civilization than the spiritual civilization and being energetic in grasping economic work but lacking

strength in doing ideological work. This state of affairs should be corrected as promptly as possible.

When we say marching in the van of the drive for the four modernizations, we refer not only to material construction but also to the work of building the spiritual civilization. Without a highly developed spiritual civilization, it is impossible to build a modern and powerful socialist country. The fundamental purpose of our production and construction is to satisfy the ever-growing needs of our people's material and cultural life. With the development of production, the people not only require good food and clothes but also want to lead a rich and colorful spiritual life and to attain a higher level of spiritual civilization.

In opening Fujian to the outside world, it is necessary to pay great attention to the role of our province as a window. Through this window, we look out and the outsiders look in. The outsiders will see how our society differs from theirs. This makes it more important to strengthen our work of building the spiritual civilization. On the other hand, we must make concrete analyses of things coming from outside and deal with each of them on its merit. We must actively introduce into our province advanced science and technology as well as advanced management knowledge from abroad and learn them with an open mind. As for the decadent bourgeois ideas, we must heighten our alertness and resolutely resist them.

The building of socialist spiritual civilization should include cultural construction and improvement of environmental conditions and public order with ideological construction as the center. Everyone should ensure that what we are practicing is socialism, that our ultimate goal is the realization of communism. Our efforts toward strengthening ideological and political work should be solid by conducting ideal and disciplinary education on party members, staff members and workers, youths and youngsters, and by associating ideological education with solutions to day-to-day problems. We should mobilize our social forces to do a good job in maintaining public order. We should double our efforts in publicizing our legal system so as to further improve social ethics. When engaging in economic reforms, we should simultaneously do a good job in upper strata construction by reforms in the ideological sector. Cultural and recreational activities that are healthy to the mind and body of the people, especially to youths and youngsters, should be actively encouraged; conversely, we should resolutely ban reactionary, preposterous, and obscene books, periodicals and videotapes. We should persistently and tirelessly hold "five stresses, four beauties, and three loves" activities and build more civilized units. Spiritual civilization construction, being a kind of construction, should be provided with appropriate funds since it is also a major key construction and investment. Of course, we should guard against waste.

#### Strengthen Party Construction and Improve Party Leadership

At present, our party committees at various levels are unable to adapt to the new situation of opening, reform and invigoration in thinking, party organization, and leadership style. We should greatly strengthen ideological and political work with emphasis on economic work. In the important agenda of a

party committee, the strengthening of ideological and organizational construction should be included. We should resolutely change the phenomenon of a hands-off attitude in the party.

1. Proceed with good work in party rectification and strengthen party spirit education.

The first stage provincial party rectification has ended and the second stage is proceeding in turn. Viewed from the general situation over the past year, the development of party rectification is sound and the method is correct. Positive results have been achieved in the field of guiding thought of unified thinking and smooth party operation. Party style has also been improved. During the course of the second stage party rectification, we should continuously implement the guiding thought set by the Central Party Committee on closely linking party rectification with reform, and on party rectification serving the reform and economic development. We should conscientiously check and correct thinking, style, and organization that are not well adapted to reform and opening. We should correct any unhealthy practices to ensure the smooth progress of reform. We should comprehensively and completely fulfill with a high standard the task of party rectification to ensure the continuous development of excellent situation in politics and economy.

We should conscientiously implement the policy of "be resolute and be prudent; no omission and no excess," and carry through the removal work of "the three kinds of people" to the end.

Political and ideological education on party members is a constant task. Every unit, whether it is undergoing party rectification or has already undergone party rectification should begin with the strengthening of party spirit in party members, conduct in-depth disciplinary, communist ideals, and wholeheartedly-serve-the-people education on party members. It should also give party members a theoretical education in building a socialist commodity economy and law of value with Chinese characteristics. Every unit should fundamentally raise the level of ideological theory and political quality in all the party members. Party members should bring the pioneer and exemplary role into full play. Party spirit education and the correcting of new unhealthy practices are two important links in the current strengthening of ideological and party style construction in the party, in which party organizations at various levels should resolutely strive to achieve results. The strengthening of party spirit education, the correcting of new unhealthy practices, as well as good party spirit, style and discipline should imbue the people in the province with ideals, moral sense, discipline and a good social order, and ensure and promote the smooth progress of reform and opening.

Our leaders at various levels should give priority to improving leadership style and work style during the party rectification and reform. We should talk less and do more, avoid false moves and superficiality. Work should be done to the point and accomplished down to the grassroots level. We should face the masses and the society and make ourselves responsible both to the party and the people. We should resolutely oppose such bureaucratic



practices as having no sense of responsibility and dodging responsibility. Organs should be streamlined, a clear separation of responsibility should be denoted, and the internal relationship should be smoothed out. We should emphasize efficiency and results. Especially, leading comrades should not waste their time and energy in insignificant things.

We should conscientiously strengthen leadership over disciplinary checks in the party, showing concern and giving support to the work of the disciplinary commission, letting them bring into full play their functions in correcting party style and reform. Disciplinary commissions at various levels should also conscientiously do a good job in their own reform work by promoting the emancipation of minds, by seeking truth from facts, and by adapting themselves to the new situation of reform, opening and economic invigoration. At the same time, they should also resolutely uphold principle and handle cases in strict conformity with party constitution and criteria.

2. Further strengthen the leading groups at all levels and beef up the basic level organs.

The key to success in reform and opening to the outside world lies in boldly employing a generation of new people, further improving the current cadre structure, and readjusting and strengthening the leading groups at all levels. It is necessary to persist in the "four requirements" for cadres and to continuously strengthen the observation and education of leading groups at all levels and in various departments which have been readjusted over the past several years. When problems are found, it is necessary to promptly help the leading groups solve them so that they can gain experience and improve in dealing with problems in practice. It is necessary to be even bolder in selecting and employing outstanding young cadres. But it is also important to make sure that the right people are selected. In selecting young cadres, it is necessary to make sure that the cadres chosen are both talented and of good character. In selecting young cadres, it is necessary to make sure that they are of good character, are capable, and meet the desire of the people, so that the cadres who are in their prime, are genuinely talented and enterprising, have shown achievements in their work, and are honest in their conduct, are promoted to leading posts to shoulder heavy loads. It is necessary to pay attention to training and promoting women, nonpartisan, and national minority cadres. It is necessary to make proper arrangements for, take good care of, and give full play to the role of veteran cadres retiring from their leading posts. Meanwhile, the retired veteran cadres must enthusiastically support the new groups in their work and must reflect on situations and make suggestions through proper organizational channels. Regarding the retired veteran cadres, it is necessary to follow the guidelines of appropriate regulations to show concern for them politically and take good care of their livelihood so that they can continue to make some contrivations while enjoying their remaining years.

Stepping up the third-echelon buildup is a basic task in accelerating the construction of leading bodies. It is necessary to continuously grasp this task well with a sense of duty and urgency. In examining and selecting personnel for the third echelon, it is necessary to stick to the "four requirements" for cadres in an all-round way, and it is particularly important to pay attention to the selectees' political qualities in order to prevent



the "three kinds of people" or others with serious problems from worming their way into our ranks.

In reforming the cadre system, it is necessary to carry out bold pioneering work and experiments. It is necessary to gradually perfect the system of election, appointment, dismissal, recruitment, evaluation, rotation, exchange, and retirement of cadres. It is necessary to correct the malpractices that a cadre "once promoted can never be demoted, once appointed to a position can never be dismissed, and once becoming an official can never be a civilian again"; and that all cadres should be treated equally whether they have done their work well or poorly. It is necessary to establish a regular and systematic cadre education system as soon as possible. It is necessary to run the party, cadre, and spare-time schools well. It is necessary to carry out a large-scale cadre education program in a planned way, and it is necessary to change step by step our province's cadre educational and professional structure. It is necessary to speed up the program of the "four requirements" for cadres. Party cadres at all levels should adapt to the new situation; do more study; raise their ideological level; learn new knowledge; and set examples in studying politics, economics, technology, and management. Currently, they must pay special attention to seriously studying and understanding the guidelines of the decision of the CPC Central Committee on reforming the economic structure and the scientific, technological and education systems and further straighten out their guiding ideology for work.

Since opening to the outside world, some tendencies have appeared among the basic-level party organs in both the urban and rural areas which should merit our attention. Some party organs have relaxed ideological and political work. They dare not boldly propagate the four basic principles for fear of being ridiculed for "mouthing high-sounding words." They dare not criticize the tendency of "everything for money." From now on, party committees at all levels should direct their main effort toward improving the party's ideological, political, and organizational work. After the responsibility system for directors, managers, school presidents and principals, and departmental heads has been implemented in the enterprises, schools, and research institutes, the party committees in these units should change their work style from taking on everything to boldly supporting the plant directors and managers, school presidents and principals, and heads of research institutes in directing production, teaching, or engaging in scientific research thereby fulfilling a supervisory role to ensure the fulfillment of policies and principles as well as state plans. The basic-level party organs in rural areas must strengthen control and education among party members and correct the feeble, loose, or even paralyzed or semiparalyzed situation in some basic-level organs, thus turning them into strong fighting bastions. It is necessary to further eliminate "left" ideological influences and remove obstacles for those intellectuals who wish to join the party. While vigorously recruiting party members from among the intellectual it is also necessary to strengthen the work of recruiting party members from among the advanced youths, the various trades and professions, women, national minority people, colleges, and middle and vocational schools, thereby gradually changing the educational structure of the contingent of party members as well as the situation wherein very few party members have been recruited from among the front-line workers of production. The basic-level party organs must forge close ties

with the masses; and party members must pay attention to mass work, show concern for the masses around them politically and for the masses' work and livelihood, and make the basic-level party organs nuclei for uniting the masses with their own exemplary deeds.

3. Party organizations at all levels must conscientiously practice democratic centralism and uphold collective leadership.

The principal leading comrades in particular should exemplarily uphold the principles of democratic centralism, set an example in democratic style of work, and fully arouse the initiative and creativeness of other comrades. At the same time, they should strengthen the building of socialist democracy and expand it to the fields of politics, culture, and other social activities throughout the province. They should also promote democratic management in the various enterprises and institutions, and establish and improve the system of congresses of staff members and workers in order to enable the working class to exercise their power as masters of the country. Moreover, they should encourage self-government by the masses in regard to grassroots social activities, strengthen the building of organs of power at the village and town level, and give full play to the role of citizens' committees and villagers' committees.

We must also strengthen the building of the socialist legal system because this is an important way of promoting democracy in the field of politics. All party members, the leading party cadres in particular, must take the lead in studying and abiding by the Constitution and the law. We should try to popularize legal knowledge among citizens throughout the province within about 5 years in order to make everyone in the province understand and abide by the law and correctly implement and consciously safeguard the law. To promote economic development, we must do a good job in economic legislation, strengthen legal supervision, and regulate economic activities and relations by applying legal means. We must protect the legal rights and interests of the state, the collective, and the individual, maintain normal economic order, and consolidate the achievements made in reforming the economic structure. We must continue to deal resolute blows at criminal offenses and economic crimes, and strive to bring about as soon as possible a fundamental turn for the better in social order and in social standards of conduct. To create a good social environment for the smooth execution of the reform of the economic structure and the socialist modernization program, Fuzhou, Xiamen, Zhangzhou, Quanzhou, Sanming, Putian, and other major cities should strive to bring about a clear turn for the better in social order and standards of social conduct within the next year.

Party committees at all levels must support the work of people's congresses, governments, and security and judicial departments in order to ensure that the organs of power can exercise their powers entrusted to them by the Constitution and the law and can fully play their important role in the socialist modernization drive. Party committees must support the work of people's political consultative conferences, and give full play to their function of providing "political consultation and democratic supervision." Party committees must also strengthen their leadership over such mass organizations as

trade unions, CYL branches, women's federations, science and technology associations, federations of literary and art circles, federations of returned overseas Chinese, federations of Taiwan compatriots, federations of supply and marketing cooperatives, and federations of industry and commerce, and arouse their initiative and creativeness in promoting economic reform, opening to the outside world, and invigorating the domestic economy.

We must further strengthen the unity between the army and the government and between the army and the people, strengthen militia building, promote the building of material and spiritual civilization by soldiers and civilians, and give full play to the role of the PLA, the armed police, and the militia in the socialist modernization drive. The party Central Committee recently made a decision to reduce the size of the PLA by 1 million men. We resolutely support this important policy decision. With the reduction-in-force reorganization of army units, a large number of military comrades will switch to civilian jobs. We must do everything we can to help the army accomplish this task.

We must strengthen the party's united front work. Throughout the new historical period of building China into a strong, modern socialist country, the party's united front work continues to be very important. We must uphold the principle of "long-term coexistence and mutual supervision" and the policy of "treating each other with all sincerity and sharing weal and woe" in dealing with democratic parties, guard against and overcome the erroneous tendency of closed-doorism and of monopolizing all affairs, and strengthen unity and cooperation with all democratic parties, nonpartisan democratic figures, personages of minority nationalities and religious circles, and all patriotic personages in order to further expand the patriotic united front.

The current congress will elect the Fujian Provincial CPC Advisory Commission, in accordance with the provisions of the party Constitution. Members of the commission will be veteran comrades who have rich experience in leadership work. They enjoy high prestige both inside and outside the party. By joining the commission, they can free themselves from heavy routine work to concentrate on work relating to the socialist modernization drive. In this way they can play their role as advisers, and this will also benefit the replacement of old cadres by young ones in a spirit of cooperation. We must give the old comrades in the commission high respect. We hope that they will help invigorate Fujian Province by offering good suggestions and serve as good advisers to the provincial party committee.

Comrades, we are now in a historical period of bringing about a transformation, opening up a new path, and invigorating the nation. The task facing us is glorious but arduous. Like the rest of the country, Fujian has very bright prospects for development. We must base ourselves on Fujian, keep in view the entire country, enter the world market, create a new situation in our province's socialist modernization, and work hard to move Fujian to the van of the four modernizations drive.

CSO: 4006/840

PROVINCIAL AFFAIRS

QINGHAI GOVERNOR REPORTS ON EXTERNAL COOPERATION

HK270215 Xining Qinghai Provincial Service in Mandarin 1100 GMT 26 Jul 85

[Text] Governor Huang Jingbo said in his government work report to the 3d Session of the 6th Provincial People's Congress: The province initially created a situation in opening up to the world last year and made relatively great progress in economic and technological cooperation with foreign countries and other provinces. The province has signed 31 contracts for the import of foreign investment and equipment, involving a total of \$63 million. Some \$26 million has been invested in the province.

The province has established cooperation and counterpart-support relations with more than 10 provinces, municipalities, and autonomous regions including Shandong, Beijing, and Shenyang. Agreements have been signed for nearly 300 cooperation projects involving a total sum of 13 million yuan.

The autonomous prefectures, cities, and counties of the province have also started to promote economic, trade, and technological relations with areas outside the province.

CSO: 4006/838

PROVINCIAL AFFAIRS

HUANG JINGBO ON EXPENDITURES, TOWNSHIPS

HK270217 Xining Qinghai Provincial Service in Mandarin 2330 GMT 26 Jul 85

[Text] In his government work report, Governor Huang Jingbo demanded that the province pay particular attention to reducing administrative expenditures this year and avoid indiscriminate spending under a variety of headings. In financial work, it is necessary to stress economizing and avoid using up surpluses. It is essential to gear the work to developing production, exploiting resources, and improving social results. The limited capital, which is not easily acquired, must be properly managed and used for developing production and improving living standards. At the same time we should also solve in an appropriate way the debts left over from history; otherwise, the progress of the entire construction effort will be affected. We must spend our money on the most crucial points in the four modernizations drive.

Governor Huang Jingbo said in his report: Qinghai has completed the work of converting communes into townships. The province has established 339 townships, 64 nationality townships, and 31 towns. It has also set up 4,303 peasant and herdsman committees. These moves have changed the situation of lack of division between party and government. As a result of streamlining, the number of grassroots cadres has been reduced by 38 percent, and the financial burden has been lightened correspondingly.

CSO: 4006/838

PROVINCIAL AFFAIRS

BRIEFS

SHANGHAI LECTURE GROUP--In order to publicize the "Outline Report on the Strategy for Shanghai's Economic Development," approved and transmitted by the State Council, Shanghai organized a large lecture group, headed by Mayor Wang Daohan, on 23 May. Beginning in June, the more than 190 members of the group will separately visit various departments, and give talks on the outline report among grassroots level cadres and the people. [Summary]  
[Shanghai JIEFANG RIBAO in Chinese 24 May 85 p 1 OW]

CSO: 4006/838



ECONOMIC PLANNING

QINGHAI LEADER DISCUSSES ECONOMIC DEVELOPMENT

HK030201 Xining Qinghai Provincial Service in Mandarin 2330 GMT 2 Aug 85

[Excerpts] On the morning of 29 July Song Ruixiang, a deputy to the Provincial People's Congress and deputy secretary of the Provincial CPC Committee, discussed Qinghai's development prospects with the Huangyuan delegation to the Provincial People's Congress session.

He said: To make a success of economic construction in Qinghai, it is first necessary to improve party style, especially the work style of leading cadres. Our party-member cadres can never forget that they are the people's servants and proceed to pursue their own private interests. At present there are still about 700,000 people in Qinghai whose food and clothing problems have not been fundamentally solved. We should feel uneasy when we think of this. How can we be called communist party members unless we regularly go down to the rural and pastoral areas, the factories, and the grassroots units in society to listen to the masses' calls, unless we wholeheartedly help the people to eliminate poverty and get rich, and unless we think at all times of the strong demand of the 4 million people of all nationalities in Qinghai to get rich as soon as possible? Hence, going down among the masses, working in a hard and practical way, acting with fairness and impartiality, and making great pioneering efforts should be the qualities and work style of us new leading cadres.

Song Ruixiang said: Qinghai is a poor province which requires help from elsewhere. Some 97 percent of the province's income is spent on consumption. The illiteracy rate in the province is far higher than the national average. The profit and tax rate per 100 yuan in investment in the province's industrial enterprises is 76 percent below the national average.

Our old comrades made unwearying efforts to solve these problems, and we must continue to make such efforts. We must promote reform of the economic structure centered on improving economic results, harmonize the economic relationships, take advantage of our strong points, avoid the weak ones, develop our key products, occupy the markets in western China and strive to spread out east and south and break into the international market. We must gradually develop agriculture, animal husbandry, transport, energy industry, and heavy industry, and organize a structure suited to the province's special features. We must also get a good grasp of light industry and tertiary industry, focusing on specialized nationality products, and strive to improve living standards.

We must attach importance to science, technology, education, and culture, and ensure that people love Qinghai and regard it as an honor to work here. We must establish a new-style Qinghai culture with nationality characteristics.

We must do a good job in the economic transformation of Xining and of construction in its outskirts, and form the city into an economic center in eastern Qinghai. We must exploit Chaidam in a planned way and build Golmud into a lakeside city, forming it into a raw material center in the salt and oil industries in western Qinghai. We should also do a good job in planning small towns in the pastoral areas.

CSO: 4006/833

AGGREGATE ECONOMIC DATA

PRC STATISTICS FOR JANUARY-JUNE 1985 SHOW ECONOMY OVERHEATING

HK301553 Hong Kong AFP in English 1520 GMT 30 Jul 85

/Text/ Beijing, 30 Jul (AFP)--China's industrial production over the first 6 months of the year sharply outstripped energy output, triggering a substantial overheating of the economy, statistics officials warned here today.

Industrial output expanded a record 23.1 percent from January to June at a time when energy production grew by only around 10 percent.

Ma An, head of the General Affairs Department in the National Statistics Office, said the imbalance poses a problem for China, noting that in some energy-poor regions certain plants have been obliged to shut down for 3 days a week.

He told a news conference that industrial output was valued at 408.6 billion yuans (143.1 billion dollars) over the first half of 1985, a 23.1 percent hike over the same period last year. By contrast, coal and oil production grew only 11.1 percent, electricity 9.1 percent and natural gas 7.9 percent.

The transport sector generally showed modest expansion, with rail activity rising 4.9 percent and shipping 9.1 percent. Air transport, however, expanded 54.5 percent.

Shortages in energy, communications and transportation have seriously hampered the development of Chinese economic reforms launched under the leadership of Deng Xiaoping in 1979.

Mr Ma said the summer harvest has yielded 87.5 million tons of grain, a fall of 4.8 percent over the first half of 1984, but still the second most bountiful summer harvest in Chinese history. China last year reaped a record total of 407 tons of cereals.

Retail sales of consumer goods rose an average of 29.1 percent in the first 6 months, with increases of 32.4 percent and 32.5 percent recorded in food and clothing sales, respectively.

Purchases of certain appliances more than doubled, he said, with those of refrigerators going up five times.

Retail prices rose a record seven percent, against 2.8 percent for all of 1984, according to Mr Ma, who added that the market has remained relatively stable since liberalization of prices took effect in May.

For certain food products the new measures led to price increases of around 36 percent in the weeks following their implementation 10 May, official statistics revealed. The cost of fish, however, soared 200 percent.

Private sector sales shot up 102.7 percent in the first 6 months of the year, constituting 14 percent of all retail sales. In the state sector, sales increased 20.3 percent, or 44 percent of the total, while among collectives sales went up 23.3 percent, 40.9 percent of the total.

CSO: 4020/312

AGGREGATE ECONOMIC DATA

CHINA DAILY REPORTS ON ECONOMIC PERFORMANCE FOR JANUARY-JUNE

HK010301 Beijing CHINA DAILY in English 1 Aug 85 p 1

/By staff reporter Xu Yuanchao/

/Text/ China's economy showed high growth in almost all areas in the first half of this year, according to figures from the State Statistical Bureau.

Both agriculture and industry registered rising graphs--with an industrial growth rate of 23.1 percent compared with the same period last year reflecting the quickened pulse.

The output of summer crops totalled 87.5 million tons. It was a bumper harvest second only to last year's, said Ma An, division chief of the State Statistical Bureau, at a press conference yesterday in Beijing.

Agricultural structure has been readjusted on the basis of harvests for 6 years running. Sown areas for grain and cotton were reduced and seeded areas for cash crops expanded, Ma said.

Rape seed production is estimated to be 10.7 /figure as published/ million tons, an increase of 31.6 percent over the same period last year. The output in Sichuan, Anhui and Jiangsu provinces has increased by a big margin.

China's open policy and economic reforms have brought new vigour to industrial production. In the first 6 months, industry generated a total output value of 408.6 billion yuan, representing an increase of 23.1 percent over the corresponding period last year.

Industrial production featured a coordinated development between heavy and light industries with energy production growing rapidly. The output value for light industry topped 204.7 billion yuan, up 25.3 percent over the same period last year and heavy industry, 203.9 billion yuan, up 21 percent. The energy production was equivalent to 409 million tons of standard coal, up 11.3 percent.

Production for durable consumer goods such as refrigerators, washing machines, electric fans and colour TV sets also registered a big increase in the first 6 months, Ma said.

China's motor vehicle plants turned out 225,000 units, up 58.8 percent over the same period last year, and production for small tractors reached 469,000 units up 46 percent.

The investment in capital construction increased in the first 6 months by 43.5 percent to 31.2 billion yuan, of which 9.2 billion yuan was used for the country's 169 top-priority projects.

Of the total investment, bank loans reached 4.78 billion yuan, representing a 160 percent increase over the same period last year.

Problems caused by excessive issuing of loans and currency in the final quarter of last year have been eased, said Ma An.

The main problems in economic development in the first 6 months of this year include an excessively-high industrial growth rate, and too big expansion of fixed-assets investment. The state has been taking measures to tackle them, the spokesman added.

China is scheduled to add an extra 5,000 megawatts to its power generating capacity this year. In the first half of the year, 250 megawatts of generating units were put into operation, and another 250 megawatts finished trial operation. Installation of others is now under ways, Ma said.

Retail sales for social commodities increased 46.5 billion yuan to 204.5 billion.

The government has readjusted prices for some commodities since early this year. Retail prices rose by an average of 7 percent over last year.

But the official said workers and city residents had received some subsidies before the price readjustment. The market looked stable and there was an ample supply of goods.

Bank savings from urban and rural residents totalled 142 billion yuan, increase of 20.6 billion yuan over the beginning of this year.

CSO: 4020/312



ECONOMIC MANAGEMENT

XINHUA PROFILES YOUNG BEIJING MANAGERS

OW300930 Beijing XINHUA in English 0701 GMT 30 Jul 85

/Text/ Beijing, 30 July (XINHUA)--Shang Baokun, 44, director of the Beijing optical instruments factory in eastern Beijing, made up deficits and increased surpluses in his factory in less than 2 years. He threw away the practice of "eating from the same big pot" and introduced a floating wage system.

Ye Rutang, 44, a college graduate, heads China's largest design institute, having doubled its productivity within 1 year. He reduced the signatures for one project drawing from 35 to 7.

Xu Bocong, 42 and Zheng Huanming, 49, both college graduates, were chosen as directors of the Beijing motor plant when part of the modern equipment and workshop buildings were hived off to form a joint venture. Their achievements and hardworking spirit were highly appreciated by the foreign experts in the joint venture and they have attracted back 42 of 47 workers who left the factory for lack confidence in its future.

These four are among the new breed of leaders of Beijing's enterprises, who achieved leading posts in the past 2 years following China's policy of recruiting younger people to top positions.

A city official in charge of personnel matters said more than 80 percent of the city's large and medium-sized enterprises have reformed their management bodies, with the average age of their leaders dropping from 50 to 42 years old. About 40 percent of them are newcomers, and over 80 percent have had college educations.

The official said that some of them were elected directly by workers and others were appointed by the city's departments according workers' suggestions. "Most of them have proved more competent, more knowledgeable and more popular among the workers than their predecessors," he added.

He said the city has set up a special group formed of psychologists, sociologists and other experts to help the government get a better understanding of the abilities and achievements of possible young candidates for leadership at all levels. They examine the candidates and carry out surveys among the workers.

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ECONOMIC MANAGEMENT

LIAONING HOLDS URBAN ECONOMIC REFORM FORUM

SK310839 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 30 Jul 85

[Excerpts] At the provincial forum on conducting reform of the urban economic struggle, Governor Quan Shuren delivered a speech in which he pointed out: Liaoning Province should pay attention to opening the doors of the province, cities, and enterprises in order to further do a good job in enforcing the open-door policy both domestically and to the outside and to enable enterprises to face the markets with smooth commodity circulation and to brave the storms of competition.

Governor Quan Shuren stated: Conducting reform of the economic system is the current task that prevails over others. While continuously enlivening enterprises, particularly large and middle-sized enterprises in order to bring into play the role of the industrial base, we should open our doors to more markets of various categories and bring into play the multiple functional role of the urban areas.

The provincial forum on conducting reform of the urban economic system was held in Liaoyang City from 25 to 28 July. At the forum, participating comrades studied the speech given by Premier Zhao Ziyang during his inspection tour in Wuhan City this April and exchanged their experiences gained in enlivening enterprises and bringing into play the multiple functional role of the urban areas.

Attending and addressing the forum were Dai Suli, chairman of the Provincial Advisory Commission, and Chen Suzhi, Standing Committee member of the Provincial CPC Committee and chairman of the Provincial Trade Union Council.

At the forum Governor Quan Shuren also delivered a summing-up speech in which he acknowledged the province's achievement scored in conducting reform of the urban economic structure over the past year.

In referring to the current demand and tasks for conducting reform in this regards, Governor Quan Shuren put forward the following two points:

1. Continuous efforts should be made in enliven enterprises, particularly large- and middle-sized enterprises.

2. We should open our doors in order to enliven circulation and to bring into play the multiple functional role of the urban areas.

In conclusion, Governor Quan Shuren urged governments at all levels to place the work of conducting reforms on their agenda that prevails over other work and to carefully conduct guidance in order to unswervingly unfold the drive of conducting reforms in an extensive and penetrating way.

CSO: 4006/833

ECONOMIC MANAGEMENT

MA HONG ON UPGRADING ENTERPRISE MANAGEMENT

HK010313 Beijing JINGJI QUANLI in Chinese No 6, 5 Jun 85 pp 3-7, 29

[Preface by Ma Hong [7456 3163] for GONGYE QIYE QUANLIXUE [INDUSTRIAL ENTERPRISE MANAGEMENT SCIENCE] put out by JINGJI QUANLI Joint Correspondence University: "An Entirely New and Important Task in Enterprise Management"--edited by Shen Hongsheng [3088 7703 3932]]

[Text] It is a move of great significance for JINGJI QUANLI to jointly run a university with relevant colleges and universities, scientific research units, large factories and mines, and economic leadership departments throughout the country to formally train enterprise management cadres.

The 12th CPC National Congress formulated a great program for our socialist modernization. Under the leadership of the party, people of all nationalities throughout the country are now striving to achieve this great program. The realization of the four modernizations cannot be separated from management. Comrade Yu Yaobang pointed out in his report to the 12th CPC National Congress: "We must improve our study and application of economics and scientific business management, and continuously raise the level of economic planning and administration and the operation and management of enterprises and institutions." This is an important strategic task.

An important course offered by the university run by JINGJI QUANLI is enterprise management science. In order to establish China's enterprise management science, we must sum up historical experience, base ourselves on the present, and cater to the future. China's enterprise management is faced with a new and important task, and enterprise management science must provide the answers.

Comrade Deng Xiaoping pointed out in his opening speech at the 12th CPC National Congress: "In carrying out our modernization program, we must proceed from the realities in China. Both in our revolution and construction, we should also learn from foreign countries and draw on their experience. But mechanical copying and application of foreign experience and models will get us nowhere. We have had many lessons in this respect. To integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own, and build socialism with Chinese characteristics--this is the basic conclusion we have reached in summing up long, historical experience." This is an important guiding ideology for effectively carrying out the four

modernizations and smoothly realizing our grand objective. Only when we have cultivated this ideology can we break with old and foreign conventions, truly proceed from reality, bring the creativeness of the masses into play, and boldly create a new situation in all fields of socialist modernization. This holds true for revolution, for construction, and for the modernization of enterprise management. This truth has been fully borne out by the course followed by our socialist enterprise management in the past decades.

Socialism is founded on the material and technological basis of machine-operated modern industries. Socialist enterprises, particularly enterprises owned by the whole people which constitute the mainstay of the socialist economy, are mainly modern enterprises. They are not small handicraft industries. Thus, socialist enterprise management primarily refers to the management of modern socialist enterprises.

It was after the founding of new China that we began our large-scale development and management of modern socialist enterprises. However, the formation of management concepts and the accumulation of practical experience started before the founding of new China. Thus, when studying the formation and development of China's socialist enterprise management, we should take the period of the new democratic revolution as our starting point. Although our enterprise management had traversed a tortuous course in the past few decades, it was on the whole steadily making progress. Looking back on the road we used to follow and summing up past experience are of immense practical significance to our efforts to create a new situation in socialist enterprise management.

#### The Seeds of Socialist Enterprise Management

A characteristic of China's revolution was that we first set up revolutionary bases, then encircled the cities from the countryside, and finally won the countrywide victory. In the course of building revolutionary bases, we developed the economy and started industrial production. During the period of the second revolutionary civil war, we began to develop industrial production in the Jiangxi Central Soviet Area. During the period of the war of resistance against Japanese aggression, we began in 1938 to pay attention to the setting up and development of publicly-owned industries in the Shaanxi-Gansu-Ningxia Border Area. By 1942, there were already more than 60 publicly-owned enterprises employing over 4,000 staff members and workers. At that time, Comrade Mao Zedong pointed out: "This achievement is invaluable to us and to our nation. That is to say, we have established a new model for our country's economy." The scale of industrial development was rather small during this period. However, because industrial development was then combined with efforts to build and develop revolutionary forces and revolutionary bases under the leadership of the party, it was imbued with a strong revolutionary spirit of hard struggle and self-reliance and was developed in fine revolutionary traditions. Although we cannot say that we had already set up a socialist industrial enterprise management system in those early days, the seeds were there. Fine national and revolutionary traditions had already prepared the ideological ground for the establishment of socialist enterprise management. Thus, management concepts formulated and management experience

accumulated during this period constituted an important factor for the formation and development of China's socialist enterprise management, a factor which is not to be overlooked. Of course, because most of the industries set up during this period were handicraft industries which grew out of rural environments, the influence of the mode of small-scale production and the habits of the supply system were keenly felt. Even now some people are still fettered by these ideas. We must not overlook the influence of these ideas if we want to modernize enterprise management.

### The Establishment of the Socialist Enterprise Management System

After countryside liberation, bureaucrat-capital enterprises were confiscated. These enterprises had to be gradually transformed in accordance with the socialist principle. At that time, we carried out democratic and production reforms on the one hand, and set about establishing a socialist enterprise management system on the other. The old methods which catered to the needs of handicraft industries were no longer very suitable, but we did not have a cut-and-dried method for managing modern socialist enterprises. This was a problem. In particular, following our entry into the First 5-Year Plan period when we began to carry out economic construction on a large scale, the sectors of the economy owned by the whole people and by collectives constantly expanded and the number of socialist enterprises grew day by day. The work of enterprise management had to keep up with the situation. In order to resolve this contradiction, we conscientiously learned from the experience of the Soviet Union and instituted enterprise management systems and methods. The systems of planned management, distribution according to work, economic accounting, responsibility for production, technology and economic affairs, labor protection, and so on, were universally instituted in enterprises. At the same time, efforts were also made to arouse the enthusiasm of the broad masses through socialist labor emulation and the conducting of ideological and political work among the masses of staff members and workers. These management methods were, by and large, in conformity with the socialist principle and the objective needs of modern large-scale production. However, the Soviet method was by no means perfect. For example, government and enterprise functions were not separated, management was overcentralized, work was done mainly by relying on administrative means to the neglect of economic means, rules and regulations were too tedious, the system of democratic management was unsound, and the economic results of enterprises were overlooked. At the same time, because the national conditions of the Soviet Union differed from ours, and they had their own basic conditions, traditions, and habits, what was suitable to the Soviet Union was not necessarily applicable to our enterprises. Thus, the management methods copied from the Soviet Union at that time had their problems because they hampered the enthusiasm of the masses and were not conducive to the development of production. This required that we proceed from China's reality and set up a socialist enterprise management system that suited our national conditions as quickly as possible.

### Quest for a Socialist Industrial Enterprise Management System Suited to Our National Conditions

In 1956, Comrade Mao Zedong put forward in his article "On the Ten Major Relationships" the idea of achieving greater, faster, better and more economical



results in building socialism, an idea that suited our national conditions. The whole party was summing up experience and exploring the correct road for developing the national economy. In enterprise management, we also began to explore a management method that suited our national conditions. In connection with the system of enterprise leadership, a system of letting factory directors assume full responsibility under the leadership of party committees and a system of workers' congresses under the leadership of party committees were first proposed. During the period of the "Great Leap Forward," in order to free ourselves from the shackles of tedious rules and regulations, we reformed many irrational rules and regulations, strengthened democratic management and instituted a system of "two participations, one reform, and three combinations." These were management methods summed up from the practice of enterprise management in our country. However, influenced by "leftist" erroneous ideas, we only emphasized the need to do away with superstition and said nothing about respecting science in our reform of the enterprise management system. We emphasized the need to put destruction before construction, but actually we only destroyed and did nothing about reconstruction. As a result, production in enterprises was thrown into chaos. In 1960, the Central Committee decided to adopt the policy of readjusting, consolidating, filling out and improving the national economy. In regard to enterprise management, the "Regulations Governing the Work of State-Owned Industrial Enterprises (Draft)," also known as the "70 Articles on Industrial Work," were formulated on the basis of thoroughly conducting investigations and study and systematically summing up experience. This set of regulations summed up positive and negative experiences in learning from the Soviet Union and during the "Great Leap Forward." After the "Great Leap Forward," many enterprises did not have strictly defined responsibility and did not pay much attention to economic accounting. As a result, production was thrown into chaos because of blind direction and mismanagement, equipment was seriously damaged, and economic results were poor. In the light of these problems, this set of regulations clearly defined the nature and basic tasks of enterprises owned by the whole people, outlined the relations between enterprises and the state, instituted and improved necessary systems of responsibility and other rules and regulations, and emphasized planned management, distribution according to work, economic accounting, the integration of material incentives with ideological and political work and other principles. Practice showed that the "70 Articles on Industrial Work" basically accorded with China's conditions and had played a positive role in implementing the 8-character policy of readjusting, consolidating, filling out and improving the national economy and in promoting the recovery and development of our industries. Notable improvements were made in the management of enterprises in the few years following the implementation of the "70 Articles on Industrial Work."

#### Enterprise Management Was Disrupted During the Period of the "Cultural Revolution"

The fine situation in the early 1960's was thrown into chaos because of the "Cultural Revolution." The decade in which science and technology were developing by leaps and bounds in other parts of the world. These 10 years also saw the rapid development of management technology and methods. But during these same years, China's enterprise management was badly disrupted.

The "70 Articles on Industrial Work" were wrongly criticized as soon as the "Cultural Revolution" started. After that, the so-called "control, check and suppress," "slavish comprador philosophy," "Putting profits in command" and "the theory of productive forces" were also criticized. The "gang of four" and company, who wildly talked about "doing away with all rules and regulations" and "running enterprises without rules and regulations," eventually destroyed the relatively scientific management system that had already taken shape. The party and the masses of staff members and workers waged struggle against sabotage by the "gang of four" in various ways. After Comrade Deng Xiaoping took charge of the Central Committee in 1975, he immediately set about the job of carrying out readjustment in various fields and presided over the formulation of "30 Articles on Industrial Work." He also pointed out: "The earlier '70 Articles on Industrial Work' are basically sound and should be revised rather than revoked." He strove to turn these two documents into a comprehensive program for promoting industrial development in China. It was a pity that his efforts were undermined by the subsequent "counterattack against the right-deviation wind to reverse verdicts." It was only after the smashing of the "gang of four," particularly after the 3d Plenary Session of the 11th CPC Central Committee, that the work of consolidating and strengthening enterprise management truly began to unfold. The stalemate, even regression, in the work of enterprise management made us lag even farther behind the industrially developed countries.

#### Opening Up New Prospects for China's Socialist Enterprise Management

Since the convocation of the 3d Plenary Session of the 11th CPC Central Committee in the winter of 1978, we have implemented the policy of readjusting, restructuring, consolidating and improving the national economy, tried out the method of giving state-owned enterprises greater decisionmaking power in selected enterprises, promoted the system of economic responsibility, and instituted the "Provisional Regulations on the Work of the Directors of State-Owned Factories," "Provisional Regulations on the Work of Grassroots-Level Organizations of the CPC in Industrial Enterprises," "Provisional Regulations on Workers' Congress of State-Owned Industrial Enterprises," "Outline (Trial) for Ideological and Political Work Among the Staff Members and Workers of State-Owned Enterprises" and other regulations. Taking the improvement of economic results as the key task, we set about consolidating and strengthening the management of enterprises. Through the all-round consolidation of enterprises, we have done a good job of "three constructions." By this I mean gradually building up a leadership system with both democracy and centralism, gradually building up a contingent of staff members and workers that is both red and expert, and gradually building up a scientific and civilized management system. We have also fulfilled the "six-good requirements." This means that through the "three constructions," we have enabled the enterprises to correctly handle the economic relations between the state, the enterprises and the staff members and workers, to fulfill the state plans with flying colors, and to do well in handling these relations, in quality control, in economic results, in labor discipline, in civilized production and in political work, thus becoming "six-good enterprises." With the qualities of enterprises improved in an all-round way and their level of management raised, China's socialist enterprise management has entered a new stage.

In the past few years, we have taken further steps to eliminate the leftist mistakes of the "Cultural Revolution" and implemented a policy of invigorating the domestic economy and opening to the outside world. In regard to enterprise management, we have dispatched a great many delegations to study management in other countries. At the same time, we have invited many foreign management experts to tell us about their country's experiences in enterprise management. Through these, we have learned the scientific organizational and management methods of foreign countries. To meet the needs of [word indistinct] the management level of enterprises, we must extensively train management cadres through various channels and raise our ability to apply modern management methods and means. At present, modern management methods are gradually being popularized in our country, and the vast number of staff members and workers of enterprises are striving hard to open up new prospects for China's socialist enterprise management.

In the past we learned from the management experience of the Soviet Union. In recent years, we have come into contact with the management experience of Western countries. We have also spent a lot of time groping for our own experience. Now is the time to systematically sum up past experience and lessons in an all-round way. Quickly establishing a Chinese-style enterprise management system with Chinese characteristics has become our pressing task. This is particularly true because our enterprises are faced with new challenges under the new situation. In the past, many enterprises kept themselves going by relying on cheap energy and raw and semi-processed materials and on low wages, a fact that concealed the backward state of enterprise management. With the increase in the price of farm and sideline products, in the price of energy and raw and semi-processed materials, and in the wages of staff members and workers, enterprises will find it difficult to keep going and develop if they do not quickly change their backward management. This will greatly undermine our realization of the grand objectives of socialist modernization. Thus, we are urgently required to speed up the modernization of enterprise management, improve the qualities of enterprises, and enhance the capability of our enterprises to compete in domestic and overseas markets.

In order to open up new prospects for China's socialist enterprise management and bring about the modernization of Chinese-style enterprise management, we must study and solve many problems. Judging from past experience and lessons, the following are some points that call for special attention:

First, we must take Marxist economic theories as guidance.

In the past, there were people who regarded enterprise management as a simple technical question and thought that enterprise management science merely studied the solution of problems concerning productive forces. There are also people who regarded enterprise management as a simple political question and thought that enterprise management science merely studied revolution in the realm of the superstructure. All these views are incorrect. The "gang of four" and company even claimed that production will naturally go up when we have grasped the struggle between the two lines. This is ridiculous. In order to bring about the modernization of Chinese-style socialist enterprise

management, we must arm ourselves with Marxist economic theories and clarify these issues.

We know that socialist enterprise management is a science that involves a lot of thinking and much theory and is highly technical. It touches on various aspects of the productive forces, the relations of production, and the superstructure. It is a science that covers a lot of ground and is neither empty politics nor a simple technical issue. Thus, if we want to manage our enterprises well and develop socialist enterprise management science, we must have a clear-cut guiding ideology and a firm theoretical groundwork. This is Marxism. After the opening of our country to the outside world, we have come into contact with all kinds of enterprise management theories and methods. These are of great help in stimulating our minds. However, these theories and methods must be evaluated and judged against the theoretical viewpoints of Marxist economics. Only in this way can we remove the dregs and turn their quintessence to good use.

At present, there is a conspicuous trend in the development of enterprise management in capitalist countries. This trend, which combines the technical organization school with the behavior school in the development of Western management theories, constitutes the basic feature of modern management. In our efforts to modernize enterprise management, we are bound to touch on these modern management theories and methods. We must analyze them from the Marxist stand, viewpoint, and method and then decide which to use. We should see that bourgeois management theories and systems serve the interests of the bourgeoisie. Lenin once pointed out that the Taylor system is a system of exploitation, a means for more effectively exploiting the workers and making money for the bourgeoisie. He also explicitly pointed out that this system includes elements of scientific management. Behavioral science studies the patterns of people's mental activities and the motives for their behavior. It looks for ways to guide people's actions and thus arouse their enthusiasm. There is something scientific about it and is certainly worth studying. However, we must also see that behavioral science is mingled with many theories and means that are aimed at controlling and exploiting the workers with capitalist interests in mind. Thus, we must use Marxist theories to discern these and selectively absorb what is useful to us. We must also adopt this attitude in handling other capitalist enterprise management theories and methods. In short, in order to bring about the modernization of enterprise management, we must use Marxism as the guiding ideology and establish China's socialist enterprise management science on the basis of Marxist economic theories.

Second, we must fully carry forward our fine revolutionary and national traditions.

China is a country with a long civilization. The people's revolution led by our party has lasted more than half a century. Our national and revolutionary traditions are extremely valuable. In order to modernize management, we must carry forward these fine traditions and experience. This is by no means contradictory to modernization. On the contrary, they are in agreement with and complement each other.

The effective management methods of all countries in the present-day world are all based on their national traditions and habits. This is best manifested in Japan. Japanese enterprises are modernized. Their management is universally acknowledged as effective. However, we must clearly see that Japanese enterprise management has marked national characteristics. It has retained the national traditions and habits of the Japanese people and applied them in modern enterprise management under new conditions. The enterprise management methods of West European countries also bear obvious traits of their national traditions and habits. They describe this as "tradition plus progress." From the management practices of different countries, we have discovered that the application of national traditions and habits in enterprise management has also become an important feature of modern management.

Before countrywide liberation, our industrial management was closely related with the work of the building up and development of revolutionary forces and revolutionary bases under the leadership of the party. It was developed in the fine revolutionary traditions of self-reliance, hard struggle, democratic management, and so on. After the founding of the PRC, we combined revolutionary traditions with the actual conditions of modern industrial production. From this, we gained further experience in strengthening party leadership, following the mass line, and strengthening political and ideological work in modern industrial enterprises. Meanwhile, we also accumulated rich experience in other aspects of management. Examples of these are: Experience in upholding such basic management principles as planning, economic accounting, division of responsibilities, the integration of political education with material incentives and the mass line in industrial enterprises; experience in strengthening party leadership in industrial enterprises and in implementing the system of the factory director assuming sole responsibility, the system of workers' [word indistinct] and other basic systems in production and administrative work; experience in fully bringing the role of manpower and material and financial resources into play and in effectively organizing supply, production, and marketing in industrial enterprises; experience in properly carrying out basic management work in industrial enterprises, and so on. However, Lin Biao and the "gang of four" brazenly trampled the party's fine traditions underfoot and wrought serious havoc to our long accumulated experience and methods which had been found effective in practice. Thus, in order to modernize management, we must proceed from China's actual conditions, concretely analyze traditional measures, carry forward the fine traditions of the past, restore methods which had been found effective in practice, and bring these into full play under new conditions. We must not get the idea that giving prominence to the role of technology in the process of modernizing management means slighting the role of man. Neither must we think that we can slacken our ideological and political work because the principle of giving material incentives is advocated. In short, we must not slacken our efforts to apply traditional methods which had been found effective in practice just because we are told to pay attention to the mastering of technical means.

Third, we must correctly handle the management experience of foreign enterprises.

We emphasize the need to carry forward national and revolutionary traditions, but this does not mean that we should blindly reject things foreign. On the



contrary, we must conscientiously learn from the successful experience of foreign enterprises in management. The question is, we must have a scientific attitude when we learn from foreign countries. First, in studying foreign experience, we must proceed from our actual conditions and must not mechanically copy their methods. This is a general prerequisite. Second, we must learn from all sides and must not confine ourselves to the experience of this or that country. Enterprises of various countries have much experience for us to learn from. In particular, they have new management techniques and methods that are worth studying and learning from. Last but not least, when we learn from foreign management experience, particularly when we adopt modern management techniques and methods, we must pay attention to studying and analyzing China's basic conditions, proceed from reality, and combine popularization with the raising of standards. In order to familiarize ourselves with the world's advanced management techniques and methods, we must widely disseminate and study these techniques and methods. We must analyze the objective basic conditions in a down-to-earth manner in order to find out what can be put into application in actual work. China is rich in human resources, but the cultural and technical levels of our staff members and workers are low. Our technical management equipment, being restricted by the level of economic development, is poor. At the same time, the development of different enterprises is also uneven. There are differences between the production techniques and special economic traits of enterprises in different trades and professions. These enterprises also differ in their basic conditions. Thus, we must give separate guidance, adopt different methods toward different enterprises, and set different requirements for them. Only by fully taking this situation into account and by combining popularization with the raising of standards can we sturdily move toward modernized management.

In short, we must oppose the tendency to hold fast to established ideas and refuse to accept new things and must oppose the tendency to mechanically copy foreign patterns. We must apply the Marxist stand, viewpoint, and method, proceed from China's actual conditions, and select the best scientific management methods of foreign countries to serve our needs. In this way, we will definitely be able to open up new prospects for China's socialist enterprise management and find our own road to Chinese-style modernization of enterprise management.

At present, our enterprise management is faced with a new and important task. We must find out how we can creatively implement the guidelines of the 3d Plenary Session of the 12th CPC Central Committee and, in accordance with the principle that the socialist economy is a planned commodity economy, turn our enterprises into relatively independent economic entities. These enterprises should become producers and operators of socialist commodity production that are independent and responsible for their own profits and losses and capable of transforming and developing themselves. They should be able to act as legal entities with certain rights and duties. They should be socialist enterprises which Chinese characteristics and be imbued with vigor and vitality. Enterprises like these do not come naturally. They have to be created by hundreds and thousands of outstanding entrepreneurs who have an enterprising spirit. Neither are these entrepreneurs "endowed" or "self-appointed." They are cultivated by means of hard work and assiduous study. Those of us who are engaged in enterprise management or in the work of management training must make concerted efforts and work hard for China's socialist modernization and the modernization of enterprise management.



ECONOMIC MANAGEMENT

JOURNAL ON REFORMING TRANSPORT MANAGEMENT

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[Article by Mi Haonian [4717 7729 1628]: "Reform the Structure of Transport Management; Promote the Development of Commodity Production"--edited by Pan Shucheng [3382 6615 3397]]

[Text] Modern communications and transport are formed by five different transport forms--railway, highway, water, air, and pipeline. These form the comprehensive transport picture, of which highway transport is the main form. Following scientific and technological progress, basic highway transport has been developed from the historical system of transport by carts drawn by mules and horses to transport by motor vehicles. As a result, the relative status of motor vehicular transport has changed in character, becoming the basis of highway transport and the principal constituent part of comprehensive transport. Moreover, because of its mobility, flexibility, convenience, and speed, it encompasses direct transport and joint or through transport linking other forms of transport. Objectively, it plays a dual role.

For a considerable length of time, communications and transport have been a weak link in the national economy, with motor vehicular transport no exception. In particular, since the 3d Plenary Session of the 11th CPC Central Committee, our country has carried out a series of reforms of the economic structure, industrial and agricultural production has developed rapidly, and the spheres of production and circulation of commodities of society have increasingly been expanded. In addition, highways appear to be destined to gradually take over the short-distance transport function of the railways. All of the above have made highway transport, particularly motor vehicular transport, come under new pressure and become incapable of meeting objective demands in regard to both passenger transport and freight transport. The problems include low transport capability, poor quality services, non-adherence to a transport schedule, excessive charges, inadequate services to isolated areas and border areas, and more. The prolonged existence of these problems will seriously affect people's travel and the movement of goods.

At present, the major reasons for adverse affects on the economic benefits of motor vehicular transport are bureaucratism, departments each issuing their own orders, and random levying of fines and charges. The departments wish to assert their despotic control, whereas the regions wish to carve out their own

spheres of influence, Enterprises in the same trade do not support each other or look after each other's interests, and there is generally a lack of unified control and coordination. As a result, large quantities of energy and transport power have been wasted. Failure to solve these problems will make it difficult to enliven motor transportation and to put it in good running order.

In order to healthily develop motor transportation, we must study and solve many problems, including determination of a policy on macroeconomic development, raising the needed capital funds, improving the condition of the highways, adoption of advanced scientific technology, replacement and renovation of old vehicles, suiting the various measures to each other, filling in gaps in the system, promoting modern management methods and training of specialized personnel, and more. At present, the main problem lies in the structure of transport management not being suited to the new situation of the great development of the commodity economy. This must be basically reformed.

#### I. Break the Bonds, Enliven Communications and Transport, and Reform the Administrative and Management Structure of Highway Transport

The overall direction for the development of highway transport is to liberate, enliven, and do a good job in management. What should be liberated must be liberated and what should be controlled should be controlled. In order to rectify the passive state of communications and transport not being suited to the thriving growth of commodity economy, it is necessary to fully mobilize all the potential forces of the existing communications and transport trade and adopt a policy calling on all the transport branches to rise in unison and all people, collectives, and individual units to do their part. In view of highway transport being roving and dispersed, it is necessary for there to be close cooperation and mutual help between the regions, between the urban and rural areas, between departments, and between enterprises. In regard to policy, it is not possible nor permissible to adopt compulsory measures which have departments acting as despots and the regions carving out spheres of influence for themselves, thus blocking and sealing circulation channels. The motto should be: Highways are free to all, and everybody is welcome to transport goods, benefit the country, and bring wealth to the people and all trades and industries enjoying thriving development.

The basic role of administration and management in highway transport should be: In observance of the guidelines and policies of the party and the state and taking the promotion of commodity production and circulation as precondition, we should protect the legitimate operations and legitimate interests of all transport enterprises, so that they will not suffer danger. We should encourage operations by many people and units, improve transport conditions, lower the circulation charges on commodities of the society, and improve the quality of transport services. It is also necessary to overcome the evils of many years' standing of the existence of "communications bureaucrats" at the upper levels and "communications bullies" at the lower levels.

In order to meet the demands of the era, highway transport management organs should be established or perfected, beginning at the provincial level to the

district, city, and county levels. For example, a province may set up a provincial bureau of highway transport control, its districts and towns may set up departments, and the counties may set up stations of highway transport control. The bureaus, departments, and stations at various levels should all be directly subordinate organs of the provincial communications bureau. The latter bureau takes charge of policy-making while the others take care of routine management affairs.

The various levels of highway transport administration and control organs should conform to society and should transform their narrow concept of managing only the special communications trades and ignoring social transport as a whole.

## II. Formation of an Enterprise Control Structure Based in Cities and Towns

Large and medium cities and towns are the economic centers of the production and circulation of commodities and also are communications nerve centers. In view of motor transportation's special features location, mobility, suitability to markets, adaptability, and timeliness, setting up an operations and management structure with cities and towns as the base is an inevitable historical development and is also determined by objective economic laws.

### 1. Reform of the Management of Transport Enterprises Subordinate to the Province

The direction of the reform in transport enterprises subordinate to the province is as follows: separate government function and enterprise functions; give enterprises more decisionmaking power; and change enterprises into economic bodies of the production and operations type in lieu of the former purely production type. Communications administration departments at various levels should delegate their production and operations power in transportation to enterprises. For their part, the enterprises should let the communications administration departments at various levels handle their administrative affairs in connection with the transport management of the society. The two parties concerned should make a clear demarcation of their work, each taking up its own responsibilities and refraining from interfering with or replacing each other. It is necessary to extend the power of enterprises in various sectors such as production and operations, planning, finance, transport charges, salaries and wages of personnel, punishment and awards, and so on. The enthusiasm and initiative of the enterprises should be fully aroused.

Delegating enterprises subordinate to the province to the charge of municipalities directly subordinate to the province and the districts has several advantages. By complying with the demand of bringing the role of central cities and towns into full play, we can facilitate the following: 1) Strengthening and organizing leadership; 2) unified planning of operations; 3) unity of departments and regions; 4) large-scale coordination of production, supply, transport, and marketing; 5) loosening the bonds of the enterprises; 6) exchange of information; 7) regulation and balancing of the means of transport and freight; 8) facilitating the specialized division of work; 9) facilitating cooperation between industries and trade; and 10) smoothing out the contradictions in business.

In the event the cities and districts directly subordinate to the province are both in the same city or town, then based on historical usage and actual conditions, determination of whether the transport enterprises belonging to the province should be delegated to the city or to the district should be made on the basis of the density of the congregation or distribution of the transport vehicles and freight in the city or district concerned. In view of the developmental trend cities and towns opening wide their gates, playing a role of economic centers and communication hubs, and generally enlivening the circulation of commodities, there are new prospects, unseen before, for the development of cities and towns going into the transport business and taking charge of transport enterprises.

The yardstick for the size of a transport enterprise should be whether or not it does a good job in production and operations and whether or not it can improve the service benefits to society and economic benefits to the enterprise. Those enterprises which are too large in size, cannot be maneuvered or handled well, or are generally incapable of improving their operations and management, should gradually reform their management and accounting structures. For example, in Hebei, the province has under its 10 transport companies which have insisted for a prolonged [time] on independent operations and "everybody eating from the same big pot." They have steadily increased in size and each of them has now a capital of 20 to 30 million yuan, a fleet of 600 to 700 vehicles, and a staff of 4,000 to 5,000 people. In size, each of them has grown to 400 to 500 percent of the size in the 1950's and 1960's. In the past it was thought that the larger the size of an enterprise the better, and it was the custom to attempt to do big things. But being large in size is not tantamount to being great in number or being rich or being advanced. Now it has been discovered that the capacity of large transport enterprises to meet changes does not equal that of small enterprises, which generally enjoy flexibility; that their services are not as good as those of small enterprises; that their production costs and charges are higher; and that their per vehicle profit is not very high. Under such circumstances, the car depots, fleets of cars, repair workshops, freight stations, and trust; specialized transport; transport of bulky goods; container transport; odd lot transport; individual transport services; and highway motor vehicle passenger transport and highway motor vehicle freight transport. In accordance with the scale of operations of the enterprises and business development needs, enterprises in the various kinds of transport centers may bear the title of company, central stations, principal stations, substation, or station. The various transport business centers may be joint bodies under different ownership systems and different subordinate relationships. They may also be independent bodies. Regardless of any particular form, they should be of the open type and not of the closed-door type. Just how many kinds of transport business centers should be set up in a given city should be determined by market pre-investigation work, but should not be diverted from reality or blindly seeking high targets.

The various kinds of transport business centers set up in the cities and towns should be under the leadership of the relevant level of departments in charge of communications of the province, district, or city, generally conforming with the principle of facilitating unified planning and coordination and being beneficial to operations and management.

#### 4. Support Individually-Run Transport Units

Developing individually-run transport has been a long-range guideline of the party and the state. It is also an important measure to bring prosperity to the urban and rural economy and to meet the production and livelihood needs of the populace. For example, at present in Hebei Province, the individually-operated (joint household) transport enterprise units have in their possession over 10,000 motor vehicles and over 100,000 tractors. There will be some 550 motor vehicles of well-known brands specially supplied to the specialized households and united bodies in the countryside of the province. Some 11 counties and suburbs will become specialist counties and suburbs, including Xinglong, Zhunhua, Nanguan, Wuji, and Duxian.

According to investigations made, transport specialized households have met with many problems in business relations and contacts, in fuel supply, in maintenance of vehicles, in the settling of transport accounts, and so on. In Hebei Province, the Communications Bureau of Laiyuan Xian raised funds to set up a transport service company of a popular nature, intended to serve the specialized households. The company renders services of "eight help": 1) Contacting freight sources; 2) Settling transport charges and accounts; 3) Maintaining and repairing vehicles; 4) Supervising and sending vehicles for periodic examination and inspection; 5) Arranging room and board; 6) Attending to accidents; 7) Supplying materials and providing long-distance transport; and 8) Grasping market information. In addition, the company has organized three training classes to teach the peasants to drive cars. The total enrollment of students was 187 and of the graduates, 11 have purchased new vehicles. It also joined with the local garrison in setting up a motor vehicle repair workshop. At present, it has 34 individually-owned vehicles taking part in joint operations. In Yuanzhi Xian, the specialized households have joined to form the Taihang Motor Vehicles Joint Transport Company. In less than a month's time, it succeeded in attracting 70 individually-owned motor vehicles to join its transport force. The foregoing methods have received the welcome and [word indistinct] of the vast number of specialized households.

#### 5. Developing Various Forms of United Bodies

By means of the reform of the transport management structure, and on the basis of separating government functions from enterprise functions, extending the decisionmaking power of the enterprises, and generally enlivening business operations, we should make those transport units enjoying superior conditions and superior quality become the leaders, take advanced business technology as the center, break the demarcation of departments and regions and the limitations of the ownership system, and organize various forms of joint operations and cooperation in transport.

The forms of the joint operations and cooperation may be flexible and diversified. They may be loose or tight in structure, and may undertake unified planning in operations, production cooperation and coordination, and exchange of information, reciprocal aid in technology, and the joint use of facilities, all of which may be in comprehensive, diversified, or unitary forms.

Following the development of the situation of many enterprises engaging in highway transport, divergent conditions may exist in the operations and management, business techniques, and production conditions among enterprises in the same trade. However, if we adhere to the principles of joining the advantages and dispelling the disadvantages, rendering mutual aid and mutual benefit, and developing diversified forms of joint operations and cooperation, more real economic benefits will be achieved by all. Contrarily, if the wishes of the enterprises are not respected and their interests are violated, and if we simply rely on administrative measures to forcefully bring about so-called "heaven designated" joint operations and cooperation, then good results can hardly be obtained.

CSO: 4006/835



## ECONOMIC MANAGEMENT

### ROLE OF INPUT-OUT STATISTICS

Beijing TONGJI [STATISTICS] in Chinese No 5, 17 May 85 p 45

[Article by Liu Hongxi [0491 7703 3356]: "Summary Account of the Launching of Input-Output Statistics in China"]

[Text] Editor's note: A letter from Comrade Sun Ge [1327 2706] of the Statistics Bureau of Anshan City inquires about the compilation of input-output tables in China and of the function of input-output tables. We assume that a large circle of our readers would also like to gain an understanding of this problem, and we have therefore requested Comrade Liu Hongxi to give us a brief introduction.

Input-output statistics is a field which makes known and studies in a comprehensive manner the quantitative interdependent relations between the various sectors of the national economy and between the various links in social reproduction through the compilation of input-output tables. Input-output statistics is an important tool for quantitative economic analysis, for economic projections and for the formulation of economic plans.

Input-output statistics is a new branch of statistics; it has gradually developed on the foundation of newly available scientific and technological achievements. Its two outstanding characteristics are: first, it concentrates in one table all indicators which comprehensively reflect, divided by certain sectors, the overall state of the national economy and thereby provides a set of complete, mutually related and uniformly aligned statistical data. These data cannot be obtained by means of traditional statistics, but they are, on the other hand, indispensable for a perfect accounting of the national economy. Second, the input-output tables, closely bound up with mathematical methods and electronic computer technology, form scientifically structured mathematical models of the economy, and as such provide new methods for research into the quantitative interdependences of the various sectors of the national economy.

Compilation of input-output tables is presently a fairly common undertaking in other countries. In China, this work has had a late start, and the nationwide compilation of input-output tables is still in the experimental stage, with various localities having only recently, one after the other, started their compilations. Shanxi was the first province in China that compiled input-



output tables, followed by Heilongjiang, Shanghai, Tianjin, Henan, Liaoning, Hunan, Guizhou and Wuhan. Among these, Shanghai compiled only materials input-output tables and Guizhou compiled only value input-output tables, but the other seven areas compiled both, separately, materials and value input-output tables. As to the years for which input-output tables were compiled, we see that Shanxi prepared them for 1979, Heilongjiang and Shanghai for 1981, Tianjin and Henan for 1982, and Liaoning, Hunan, Guizhou and Wuhan for 1983. On the basis of its tables for 1979, using currently available statistical data and adopting a method of adjusting the relevant coefficients, Shanxi again experimentally compiled materials and value input-output tables for 1982 and 1983, with figures for 56 sectors. As to the scope of the tables, we see that currently the tables are everywhere being compiled according to the demands of the system of a material products equilibrium and will not regard the sector of labor involved as a sector of materials production, but will include it among social consumption. The classification of sectors in the tables generally takes product sectors ("pure" sectors) as criteria; Shanxi compiled its tables simultaneously according to product sectors and enterprise sectors. As to the method of compiling the tables, a decomposition method is generally being employed, namely breaking down the total product values by enterprises into product categories. Tianjin used the derivative method (transfer method) recommended by the United Nations, namely to compile first the input table (U table) and output table (V table), and then, using the mathematical derivative method, transfer the minor products and compile the product sector x product sector table and enterprise sector x enterprise sector table. Henan employed simultaneously the decomposition method and the derivative method and carried out comparative studies of the tables compiled by the two methods. The scope of the tables is different at different places, as shown in the following table:

	Value I-O (No of Sectors)	Materials I-O (Types of Products)
Shanxi	56	88
Heilongjiang	78	115
Shanghai	--	197
Tianjin	80	200
Henan	78	123
Liaoning	86	275
Hunan	67	120
Guizhou	25	---
Wuhan	58	135

The useful application of input-output tables is a question that requires further continuous investigations. Considering the practical experiences in various places, there are more or less three aspects of this question: first, the analysis of the economic structure and economic results. Entities that have compiled input-output tables have generally also carried out research in this respect, as, for instance, studies of the macroeconomic results, the structure of the two categories, the structure of agricultural, light and heavy industry, the industrial structure, product structure, etc. Second, the study of economic policies. In the course of studying plans for commodity

price adjustments, the commodity price centers made use of input-output models to simulate price structures, and thereby provided reference data for the restructuring of the price system. Third, plan formulation. The projecting center of the State Planning Commission made use of data in input-output tables, which had been experimentally compiled, to establish a macroeconomic model to test and verify the data in the Seventh 5-Year Plan. Shanxi made use of the input-output tables to formulate its medium-term and long-term plans, and thereby not only shortened the time required for the compilation of the plans but also ensured that the plans for the specific industries would dovetail.

Compiling input-output tables is a new type of undertaking. It will only be possible to gradually build up and perfect our socialist input-output statistics with Chinese characteristics if we start out from the realities of our situation and engage in further continuous probing and summing up of experiences regarding the methods of compiling the tables, the sources of our data and the useful application of our tables.

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ECONOMIC MANAGEMENT

ADOPTING INDEX OF GROSS NATIONAL PRODUCT DISCUSSED

HK050531 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 85 pp 8-10, 40

[Article by Yang Gixian [2799 0796 0341] edited by Ding Jiatiao [0002 1367 4383]: "Adopt the Index of Gross National Product, Promote the Rational Development of the Economy"]

[Text] In his government work report at the Second Session of the Sixth NPC Premier Zhao Ziyang pointed out that "it is necessary to take the increase of Gross National Product as the major criterion for assessing the economic progress of large cities." This is a major departure from our traditional method of assessing economic work and a significant part of reforming the old and fossilized system which is unfavorable for the development of productivity and will have a great bearing on promoting the rational development of the economy.

Ours is a socialist state. According to basic Marxist theories, government departments at all levels in such a state should perform the function of organizing and managing economic construction. Leading cadres and major government departments at all levels should concentrate on the socialist economic construction and should take achievements in economic work as a major basis for assessing, evaluating, rewarding, punishing, and selecting cadres. It is therefore true that the index or method to be adopted to assess and evaluate the real economic achievement of the whole country, a locality and, in particular, a city is by no means purely a planned statistical method or any specific business problem; it plays a major role in straightening out the ideology of economic work, helping government departments correctly perform the function of leading the economy and realizing the rational development and a favorable cycle of the economy.

All along we have been using the index of the total industrial and agricultural output value as a major criterion for assessing and evaluating the overall achievement of national, local, or municipal economic development. So far as the cities are concerned, the index of the total industrial output value has been adopted. One of the good points of this index is that it is easy to calculate. It can serve as a useful criterion for overall assessments in places where the standard of economic work is low and the degree of socialized production

is still not too high. It was quite popular around the world at the end of the 19th century and the beginning of this century. However, its drawbacks are equally obvious. Its scope is narrow for it can only reflect the output value of a country's industry and agriculture. It cannot cover the whole spectrum which includes construction, transportation, and communications, nor can it reflect the total labor achievement of the entire labor force from both the production and non-production sectors. It has its own objective limitations when used to reflect the overall achievement of the national, local, or municipal economic development. So far as the method of calculation is concerned, since the total output value of industry and of agriculture are calculated on the basis of the law of factories and the law of produce respectively, the output value of each and every processing is calculated. Every product is calculated in accordance with its full value, which includes not only the total material consumption during the production process, but the value repetitions among trades and enterprises. Furthermore, the greater the material consumption, the greater the output value; the more refined the division of labor among enterprises, the greater the output value. This index cannot reflect the total newly created value within a specific period of time, nor can it reflect the whole picture of socioeconomic development or the best economic relationships between operation and production, quantity and quality, speed and results.

Our 30-odd years of practice in economic work has proved that it is not too good to use the total industrial and agricultural output value as a major index to assess and evaluate the overall achievement of economic development because it has many side-effects. One of which is that it easily gives rise to a one-sided pursuit for great output value and rapid growth and results in an unrealistically high index of economic development, which is detrimental to a continuously stable economic development, and the upgrading of economic results. Second, it makes people invest their limited capital, resources, and manpower in sectors which can increase the total output value more quickly, while taking no heed of the infrastructure which is indispensable for the continuous strengthening of economic development and construction of tertiary production which is closely related to production and the people's living. The index hampers the overall development of our socioeconomic cause and the gradual improvement of the people's livelihood. Third, it is natural that leading departments and cadres at all levels will pay full attention to enterprises which are directly under their control and will always intervene and direct the production and management activities, while paying little or no attention to the country-wide as well as trade-wide economic management. This practice will affect the government departments' management of the economy and will also undermine the strengthening of economic ties among enterprises. In addition, owing to longterm undue "leftist" influence, we have repeatedly made serious mistakes in economic policies, resulting in making great investment with little production. More often than not, our economic construction has seemed to be very attractive and we

have registered a rapid increase of the total industrial and agricultural output value. Our actual economic results have, however, not been great. There has not been a relatively great increase of final products ready for consumption. The benefits actually enjoyed by the people have been relatively few. During the 28 years between 1953 and 1980 the total industrial and agricultural output value increased by about 800 percent, with an average annual increase of 8 percent or above, although we seriously suffered from both the "great leap forward" and the "cultural revolution". The growth rate is quite high when compared with that of other major countries. However, after deducting material consumption and when calculated on the basis of newly-created value, i.e. national income, the increase within the above mentioned period was only about 400 percent, with an average annual increase of 6 percent. Such a growth rate is not high when compared with that of other major countries. If we tick off the tremendous wastage which occurred during the process of spending the national income and take into account the factor of greater population growth rate, the average consumption level rose by only 100 percent, with an average annual increase of 2.5 percent. Such a growth rate is rather low. The fundamental objective of socialist economic construction should be the continuous development of productivity and the improvement of the people's living standards. It is obvious that we have reached this goal. As pointed out by Comrade Ye Jianying in his report at the 30th anniversary of the founding of the republic in 1979, the actual achievement we scored during the first 30 years did not match the superiority of socialism, nor did it match the labor contributed by our fellow countrymen. There are, of course, many reasons for this. One of which is that we have adopted an irrational index for assessing and evaluating the overall results of economic development. As a result, many comrades have adopted a wrong ideology for economic development and have laid the wrong stress on economic work. They have paid too much attention to the production sector, and the quantity, rate, and scale of construction, while ignoring social services, quality, results and the people's standard of living. We should, in fact, resolutely learn from this great lesson.

As the index of the total industrial and agricultural output value has the abovementioned drawbacks, many countries have abandoned it since the thirties and have replaced it by the index of Gross National Product. In recent years, the Soviet Union and other East European countries which have been using the latter have begun reforming it in various ways. For instance, Yugoslavia has abandoned the index of the total industrial and agricultural output value and replaced it by the index of total social goods (i.e. national income plus depreciation). The Soviet Union and other East European countries have shifted to assessing the net output value or the volume of sales of an enterprise. The growth rate of the national, local, and municipal economic development has been expressed in terms of the national income, while retaining the total industrial and agricultural output value as a calculating index. Although our country has stated that the total industrial and agricultural output value should only serve as an index for reference and should not be used as a criterion for assessing and

evaluating the achievement of the economic work of government departments and cadres at all levels, it is still used to express the overall achievement of economic development in work reports, project papers, and statistical statements by governments at all levels since it has not yet been replaced by a more scientific and perfect index. The leading cadres of a locality or a city will be much bewildered if they experience a slack growth of the total industrial and agricultural output value or if it is lower than other localities or cities, not knowing how to explain to their superiors and people, so much so that they tend to strive for a greater growth and scale of the total output value to show that their own locality or city has scored great achievements in its economic work, while paying no attention to the objective conditions and actual results. More often than not, things go contrary to their wishes and haste makes waste. The index still has an adverse effect on the thorough implementation of a series of correct and practical policies which aim to upgrade our economic results and to do what we are capable of. It also adversely affects the promotion of a favorable cycle of our national economy and the comprehensive growth of production. It is therefore time to introduce a thorough reform.

Much has been discussed in recent years as to what index to adopt to replace that of the total industrial and agricultural output value as a major criterion for assessing and evaluating the overall achievement of economic development. Some people have actually started working that out. For instance, the index of the total social output value and that of the national income (i.e. net output value) have been introduced in statistical statements and planning indices. However, it has been proved through practice that these two indices have failed to overcome the drawbacks of the index of the total industrial and agricultural output value. The adoption of total social output value index can only cover the achievement of the material production sector, while failing to resolve thorny problems such as the numerous factors for the overlapping of the total industrial and agricultural output value and to reflect the economic results of social production. The adoption of a national income index can avoid the repetitious calculation of the total industrial and agricultural output value but cannot solve the problem of the total industrial and agricultural output value index being unable to reflect the fact that there is no direct relationship between the total labor results made by the entire labor force in society and the improvement of the people's standard of living. The adoption of the two above mentioned indices has failed to make government departments and cadres at all levels show more concern for the entire economy, all the professions and trades within the production sector and the comprehensive and coordinated development of the production and non-production sectors. It also dampens the enthusiasm of the departments, localities, and cities for improving the production and management of their enterprises, for concentrating on improving their infrastructure, public utilities, production construction, and the construction of tertiary production which is related to the people's

standards of living, and for upgrading the socioeconomic results and the state's economic strength. Further reforms should therefore be introduced.

Judging from the demands of the objective economic law and the domestic and international development trend, the correct way to reform is to directly adopt the index of Gross National Product (i.e. national income plus depreciation plus the net income from the non-production sector) as a major criterion for reflecting and assessing the overall achievement of economic development, an index which is commonly adopted by countries throughout the modern world. It should be adopted not only by big cities, but by the entire state, localities, and even medium-sized and small cities when assessing the overall achievement of economic development. It has the following good points:

First, it helps to overcome the drawbacks of the total industrial and agricultural output value index (i.e. limited scope and numerous factors for the overlapping) and those of the national income index which can only reflect the value created by laborers of the production sector. It can reflect the quality of material products which can finally be utilized by the society and express the total labor results of the entire labor force in society within a specific period of time.

Second, it helps to overcome the blind pursuit of output value and the inclination of ignoring economic results. During the production process, given the same amount of material consumption, the more products produced, the greater the growth rate of production. On the other hand, if the amount of material consumption increases, the total amount of national income will not go up, nor will the Gross National Product, though the total output value increases. It will serve as a driving force for enterprises and cadres at all levels who will strive to achieve a maximum amount of production with minimum material consumption. It will help to achieve a unity between speed and results.

Third, it will overcome the one-sided emphasis on quadrupling production and indifference to the overall development of economic results. The adoption of the index of Gross National Product for reflecting and assessing the overall achievement of economic development implies that we have enriched the contents of quadrupling, from a simple increase of industrial and agricultural production to an increase of the entire and newly-created value, a rational upgrading of the depreciation rate of the fixed assets and a comprehensive development of various non-production trades. It will greatly alleviate the burden of the localities, in particular cities and old industrial bases which only aim to quadruple their total output value, make people shift their energy from expanding the scale of the construction of infrastructure, increasing projects to be put into operation and upgrading the total industrial and agricultural output value to the development of production as well as technical innovation, training of talented personnel, and development of basic economic facilities and urban and rural social services. Since we have long ignored the renovation of equipment and the



development of the non-production sector, the growth rate of these two aspects will surely surpass that of the total industrial and agricultural output value. As a result, the quadrupling goal will be better realized.

Fourth, it helps to make a closer link between production and distribution, and production and standards of living. The major difference between the adoption of the index of Gross National Product and that of the total industrial and agricultural output value is that the former serves not only as an index for assessing the overall achievement of economic development but a principal index which can be used to directly calculate social distribution. Its total amount and speed are directly related to the arrangement of the accumulation/consumption ratio and the improvement of people's living standards. It can be directly encountered and tested by the masses of the people through actual life. It, therefore, helps to avoid undesirable practices such as telling lies, doing phony things and boasting, prevent localities from making false statements concerning the increase of their output value in order to boast of their own achievements in economic work, and effectively improve the reliability and accuracy of statistics and planned arrangements.

Fifth, it contributes to a speedy development of sectors other than the industrial and agricultural ones, in particular tertiary production. With the development of social productivity and the improvement of socialized life and the speedy improvement in modern science and technology, tertiary production has become more and more significant in the national economy and it has also begun to represent a larger proportion. In some advanced economies the number of people engaged in tertiary production makes up more than 60 percent of the entire working force, and 60 percent of the GNP. In underdeveloped countries it makes up 30-40 percent. However, the number of people engaged in tertiary production in China and the GNP they create are only 15-20 percent. The figure is obviously too low. As a result, some of our non-production sectors have become more and more backward. Commerce, food catering, science and technology, education, city transport, communications, information services, inquiries and consultation, insurance, advertising, leasing, medical service, health care, laundry, dyeing, cultural services, entertainment, tourism, and maintenance service have been seriously coupled from the development of production and construction. Apart from the problem of unemployment which still exists in cities, problems related to meals, clothing, medical treatment, traffic, sending children to child-care centers, transport and communications, laundry, accommodation, placing phone calls, and shopping remain outstanding. The development of the above mentioned things will continue to be ignored or intentionally or unintentionally suppressed and the reform of the economic system and the healthy and coordinated development of the entire economy will be affected if we do not replace the total industrial and agricultural output value index, which assesses the overall achievement of economic development, by the index of Gross National Product.

Sixth, it helps to make necessary comparisons with other countries. Most countries in the world use GNP to express the scale and the growth rate of their economic development. The Soviet Union and other East European countries have begun to disclose their GNP's periodically. The United Nations also uses GNP to assess a country's economic strength and its economic position in the world. Once we have adopted this index, we will save ourselves the inevitable trouble of conversion while making comparisons and also avoid any discrepancies while making conversions.

CSO: 4006/846

ECONOMIC MANAGEMENT

BRIEFS

JIANGXI ECONOMIC CONTRACTS CONFERENCE--A provincial economic contract management conference, which closed in Yichun on 1 July, urged all localities to safeguard the smooth progress of the economic reforms and the four modernizations through legislation. The conference noted that Jiangxi has done a good job in promoting and managing the economic contracts system. In 1984 more than 975,000 economic contracts were signed according to law throughout the province, whose total amount reached 3.39 billion yuan, and 533 disputes over economic contracts were handled. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 3 Jul 85 OW]

CSO: 4006/838

FINANCE AND BANKING

GUANGDONG INDUSTRIAL-COMMERCIAL TAX REVENUES RISE STEADILY

Guangzhou NANFANG RIBAO in Chinese 2 Jul 85 p 1

[By Wu Ling [0702 3781]: "Special Policies Open Up Broader Sources of Tax Revenue; Guangdong's Industrial-Commercial Tax Revenues Increase 11 Percent for the Last 6 Years; Revenues in First 5 Months of This Year 76 Percent Higher Than Same Period Last Year"]

[Text] I obtained the following information at the Conference of Guangdong Province Tax Bureau Heads, which ended on 27 June: Following the special policies and flexible measures adopted by this province, production developed continuously, trade flourished and prospered and broad revenue sources were opened up. As of 1979, Guangdong's industrial-commercial tax revenues increased annually 11 percent for the last 6 years, and in the first 5 months of this year had increased 76 percent compared with the corresponding period last year. Revenue from enterprises involved in business with foreign nationals, which had always been zero in the past, last year amounted to 53.4 million yuan, which is 26 times the tax amount collected in 1980, and in the first 5 months of this year, this particular revenue was 3 times that of the corresponding period last year. Tax revenue is an overall reflection of the national economy. After appropriate readjustments, Guangdong's industrial production has shifted its focus toward the development of such items as textiles, mechanical implements of daily use and domestic electrical appliances, electronic products, electric power and petroleum, and initially achieved a light industry structure that is attuned to the special characteristics of Guangdong, also achieving remarkable economic results. The output value of these branches of industry has doubled and redoubled in recent years, with a corresponding doubling and redoubling of tax revenues. After important reforms were carried out in the agricultural system of the rural areas, rural and small town enterprises flourished; last year they accounted for 22 percent of the gross industrial and agricultural output value and turned in 63.24 million yuan in taxes. In addition, commercial, service and communication enterprises developed very rapidly and contributed to the prosperity of the market, also opening up broad sources of revenue for the state. We understand that the commercial retail sales tax turned over to the state in 1984 had increased 1.5-fold compared with 1978, and the tax revenue from service and communication enterprises increased 1.3-fold.

9808

CSO: 4006/779

FINANCE AND BANKING

JIANGSU RESIDENTS' FOREIGN EXCHANGE SAVINGS INCREASE

HK020927 Beijing XINHUA Hong Kong Service in Chinese 1420 GMT 31 Jul 85

[Text] Nanjing, 31 Jul (XINHUA)--It is learned from the Nanjing Branch of the Bank of China that foreign currency savings accounts opened by residents in Jiangsu Province has increased substantially and the total amount of savings kept in the bank has reached \$1.138 million, an increase of 87 percent over that at the end of last year.

The foreign currency savings accounts are opened by local residents who receive foreign currency remittance [word indistinct] other forms of foreign currency incomes. The Nanjing Branch of the Bank of China began to provide this service after the same service was provided in nine other cities, including Beijing, Shanghai, Guangzhou, and Shenzhen. People who open such accounts with the bank are allowed to freely withdraw foreign currency from these accounts, and they are allowed to withdraw foreign currency from a time deposit account even before it matures if they are urgently in need of money,

CSO: 4006/839

FINANCE AND BANKING

XIZANG MEETING ON FINANCE, FOREIGN EXCHANGE, CAPITAL CONSTRUCTION

HK301450 Lhasa Xizang Regional Service in Mandarin 1130 GMT 29 Jul 85

[Text] On the morning of 29 July, the regional people's government held a meeting for prefectural heads, mayors, commissioners, county magistrates, as well as responsible persons of the region's departments, bureaus and committees, attending the 3d meeting of the 4th Regional People's Congress.

The meeting listened to a speech by Doje Cairing, vice chairman of the regional people's government, on the present situation of and problems in the region's finance, credit, foreign exchange and capital construction, as well as on future measures.

In his speech, Vice Chairman Doje Cairing pointed out: Various prefectures and units must further strengthen their control over funds for consumption and supervision over cash. They should check the practice of irrationally putting money into circulation. They should strengthen the supervision over extending credit to circulating funds, and over foreign exchange. All units must seriously enforce the regulations on foreign exchange, and at the same time, actively give play to the role of banks and credit cooperatives in the course of economic construction. In this way, we can further tap our internal potential and improve economic results.

Doje Caidain, chairman of the regional people's government, attended the meeting and made a speech. He said: Leading comrades of the governments at various levels should mainly grasp the work of the economy. They should study well the economic theory, and policies and regulations of departments at the upper level. In addition, they should have a good understanding. Only in this way can they do the work well in an all-round way.

Hu Songjie, standing committee member of the regional CPC Committee, also attended the meeting.

CSO: 4006/839

FINANCE AND BANKING

BRIEFS

YU GUANGYUAN RECOMMENDS USING GNP--On 9 May, Yu Guangyuan [0060 0342 6678] gave a report at Nantong, Jiangsu Province, on the need to study statistics on output values and economic results. Yu Guangyuan said, the gross national product [GNP] is based in capitalist economic theory and is not, of course, in keeping with Marxist economic theory. However, the GNP is a statistical indicator, not a system of economic thought. It is similar to the case of our current library classification possibly not being identical with the Marxist library classification, but would that make it necessary to reclassify the thousands and thousands of books? Is it not quite sufficient that we are able to find the books we are looking for? Most countries are now using the GNP as an indicator. To facilitate comparisons, China should also use the GNP indicator. Starting with the year 1985, Shanghai is no longer using the industrial and agricultural gross output value indicator [GVIAO], having changed over to GNP. The Bureau of Statistics must not use just the GVIAO indicator, but should work with a number of additional indicators. [Text] [Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 9 Jun 85 p 4] 9808

INDUSTRIAL-COMMERCIAL TAX CATEGORIES ENUMERATED--Currently, China has a total of 21 kinds of industrial-commercial taxes. Looking at the nature of the taxes in their regulatory role in the macroeconomic sphere, the current industrial-commercial taxes appear to be mainly of the sales tax and income tax categories. In more concrete terms, there are 3 taxes of the product marketing and product circulation tax type, namely the product tax, the business tax and the increment tax. There are 6 taxes of the income tax category, namely the income tax on collective enterprises (also called industrial-commercial income tax), the income tax on foreign enterprises, the income tax on Chinese-foreign joint venture enterprises, the personal income tax, the income tax on state-run enterprises, and the state-run enterprise readjustment tax. Two types of tax belong to the category of tax on differential income from specially designated natural resources, namely the increment tax and natural resources tax. Four types belong to the category of taxation of special objectives, namely the special fuel oil tax, the construction tax, the bonus or reward tax, and the urban building preservation tax. There are 3 types of tax belonging to the category of trade activities taxation, namely the tax on slaughtering animals, the animal trade tax and the country fair trade tax. There are 3 types belonging to the category of use taxation, namely the house property tax, the land use tax and the vehicle or boat use tax. [Text] [Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 9 Jun 85 p 7] 9808



JPRS-CEA-85-079  
29 August 1985

HUBEI SUMMER AGRICULTURAL TAX--By the end of June, Hubei Province had over-fulfilled its quota for collecting summer agricultural tax by 33 percent. The amount of tax collected in this period was 5.11 percent more than in the same period last year, [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 29 Jul 85 HK]

CSO: 4006/839

## MINERAL RESOURCES

### BRIEFS

**SURVEY OF MINERAL RESOURCES**--On 14 July the Ministry of Geology and Mineral Resources announced that it will launch a new round of general survey of the mineral resources throughout China step by step and in a planned way so that in the next 15 years we may gain a better understanding of the complete situation of our mineral resources and a basically clear picture of our major prospective mineral ores deposit areas and the prospects of major mineral resources in important economic districts. [Text] [Beijing Domestic Service in Mandarin 1600 GMT 15 Jul 85 OW]

**CHINA'S GOLD PRODUCTION**--China's gold production for the first half of this year fulfilled 52.8 percent of the annual target and showed a 9 percent increase over the corresponding period of 1984. [Summary] [Beijing Domestic Service in Mandarin 1600 GMT 10 Jul 85 OW]

CSO: 4006/839

INDUSTRY

JUNE SALES OF HOUSEHOLD APPLIANCES UP IN PRC

HK010321 Beijing CHINA DAILY in English 1 Aug 85 p 2

/Text/ Chinese commercial departments reported that June sales of many household items, including TVs, washing machines and refrigerators, rose sharply over previous months. A survey of 30 department stores in 13 cities across the country showed that 11 types of household articles registered sales increases, but cotton and polyester cloth sales dropped, the newspaper economic information said.

Colour TV sales tripled, sewing machine sales doubled, refrigerator sales rose 130 percent and electric fans and washing machines also did well.

The newspaper also note that certain little-known bicycle brand names had shown sharp sales rises, giving some stiff competition to the famous brands. Flying fish brand bikes did well in the Shanghai market and Tianjin sold 800 flying fish and gold lion bikes during just 2 days in June.

The Tiemao brands produced in Taiyuan, Shanxi province and Changzheng brands made in Wuxi, Jiangsu province were also well received on the market. Some 26-inch-high women's bicycles also sold well because of the recent trend toward skirts instead of pants in summer.

Famous brands of black and white TVs still held the upperhand the market while less-known brands did poorly. Supplies of colour TVs fell short of the market demand. Currently, 18-inch TVs are most popular, with 16-inch and 14-inch sets placing second and third.

There was an ample supply and a large selection of electric fans, the paper said. Sales exhibits of fans were held in Beijing and Shanghai. In Shanghai, more than 8,000 fans were sold out during just 5 days in June. Demands for little-known brands of electric fans also rose because of the hot and humid summer in southern China.

However supplies of the popular Shuixian and Bailan brand waying machines fell short. Some twin-tub washing machines such as Shunague, Shongyuan and Wuyang also sold like hot cakes.

And the demand for refrigerators still far exceeds the supply, especially in summer, the paper said.

The fall in sales of cotton and polyester fibre cloth in Harbin and Tianjin was attributed to small numbers of customers and a shortage of fabrics in light colours.

INDUSTRY

BRIEFS

CAMERA OUTPUT INCREASES--Beijing, 16 Jul (XINHUA)--More Chinese sightseers are using China-made cameras as the country produced more than 780,000 cameras in the first half of this year, a 40 percent increase over the same 1984 period. Cameras are no longer a luxury item in the country, and camera factories are doing their best to meet the growing needs of the customers. The output in 1984 came to 1.27 million, with more varieties and improved quality. China began to make cameras in the 1950's, but it was only after 1979 that the industry saw a fairly rapid growth. Now there are 42 different makes of 135 mm and 120 mm cameras made in China. /Text/ /Beijing XINHUA in English 1513 GMT 16 Jul 85/

CSO: 4020/312

## CONSTRUCTION

### QUALITY MUST NOT BE NEGLECTED IN CONSTRUCTION WORK

Beijing JINGJI RIBAO in Chinese 16 Jul 85 p 1

[Editorial: "Work Quality Must Not Be Neglected in Construction Projects"]

[Text] Declining quality in constructions is an acute problem that should have everyone's attention these days.

The overall situation in the construction industry, now that it is carrying out organizational reforms in greater depth and can indeed claim great successes, is very good. Speaking of the quality of construction projects, there has been a steady improvement in most of the key projects of the state, in the construction of high-class tourist hotels and high-rise buildings, projects which have all won the approval of society at large. However, we must also realize that a declining trend has set in in the quality of the numerous and widespread construction of residential buildings, of the numerous common industrial buildings and particularly in the construction of rural and small town enterprises, which are going up all over the country. Most shocking is that there has been not only a noticeable decline in the quality of construction carried out by large-scale key enterprises, which had been for many years contractors for key state projects, but that even the rare catastrophic collapses of buildings occurred. In areas where projects had formerly been well constructed and enjoyed a good reputation, it now happens that requirements are lowered, controls are relaxed and shoddy work is done, to the great dissatisfaction of the users. The leadership at all levels of the construction industry and all its staff and workers, therefore, face the urgent task of having to adopt prompt measures to resolutely stop the trend of declining quality.

Why should this trend of a deterioration in work quality occur in the construction industry at this favorable juncture when the reform of the trade is making substantial progress? The major cause is the inadequacy of a correct professional guiding ideology. Some leading comrades to this day have not yet straightened out in their mind the proper relationship between quality and speed. In their actual work they maintain outdated concepts as they try to cope with the new situation; they persist in old habits and methods, formed under the longtome ideological influence of the "left," failing to divorce themselves from the old convention of one-sided pursuit of output values and speedy production, whether in the checking of basic work or the evaluation of

a certain activity, or whether it is a question of handling distributions or of granting rewards. This has almost become something of a deep-rooted and persistent malady, which seriously thwarts any mentality of giving due consideration to quality above all else, of gaining successes by means of high quality work performance and of applying the right methods to a given situation. It also seriously obstructs uniting the benefits of the enterprise with the benefits of society and of applying to real situations the mentality and methods that concede priority to the interests of society.

Slack management is another important reason. Many enterprises have slackened quality inspection of construction projects and do not exercise effective leadership in the training of new workers and in the technical guidance of subcontractors. It has not yet been possible to launch a conscientious social supervision of the quality of construction projects. In some areas fairly serious matters have occurred such as designing without permit, building without permit and of undertaking construction tasks in excess of one's grading. This situation demands of us that we must not only solve the problem of ideological concepts, but also devote efforts toward a realistic solution of the problems of trade management and enterprise management.

In the manufacture of any product, quality must always be emphasized, and every effort must be made to produce a good product at a cheap price. This is the same in every trade and industry. However, because the products of the construction industry consume much material, require large investments, are destined for long use and are closely bound up with the production, livelihood, safety and comfort of the masses, demands for their quality have to be particularly high and strict. In their case it is necessary to maintain at all times and under whatever circumstances a policy of "projects that are to last for generations call for good quality above everything else."

All reforms should contribute to improving quality in our construction projects. The extent to which we raise quality through reform measures to a certain new level will be the major indicator of our success in the reforms in a certain locality or in a certain enterprise. Opening up and invigorating the economy is tantamount to ensuring work quality. If we stress opening up the building market, our aim is to institute competition that will help shorten work time, reduce construction costs, raise construction quality and increase investment benefits. When we stress raising economic results, our aim is to help the state increase its accumulations and to strengthen continuously the capability of the enterprises for self-development. If the relationship between quality and speed, or between quality and results, is regarded as one of antagonistic opposites, and if quality is sacrificed in a one-sided pursuit of shorter work time and increased profits, this runs counter to the purposes of our reform. It is therefore necessary for leading departments at all levels and leading comrades in our enterprises to rectify their business ideology, accurately deal with the relationship between reform and quality, and strictly guarantee the quality of their work at all times.

Vigorous measures are necessary to stop the downward trend in the quality of our construction projects; we must launch a one-time large-scale quality check of mass character throughout the building trade, examine ideology, examine the system, check for hidden dangers and plug all loopholes. A general inspection

should raise the quality consciousness of the leadership at all levels and of all staff and workers in the construction industry, and we should launch vigorous activities toward "eradicating watered-down data, raising standards, attaining standards and achieving excellence in every job." On the foundation of the checks carried out by the entities themselves, the departments in charge should carry out spot checks; it is especially necessary to organize a workforce for the conscientious inspection of all construction projects undertaken by rural construction teams. If constructions do not meet quality standards, poorly done jobs must be ordered redone and jobs that need improving must be ordered improved. Individual constructions for which safety cannot be guaranteed must be torn down without fail and must under no circumstances be allowed to lightly get by. If designing or building entities do not conform to the standard qualifications of the trade, those that can bring up their standards by supplementary procedures shall be allowed to supplement procedures, and those that should be demoted as to the scope of tasks they are allowed to undertake, should have their ranking reduced. Those that have caused serious accidents and are not able to effect remedial measures should be disqualified from further construction business, and under no circumstances must anyone be overlenient in this respect.

To cope with these situations of neglectful quality supervision and weakened quality examination systems, we should now strengthen the supervision of construction quality by the government. We must accelerate the pace of organizing and establishing a quality supervisory organization, and at the same time establish a sound system within the enterprises that would guarantee quality of constructions. There must only be strengthening and no weakening of the quality control organizations in the enterprises. The pretext of reforms must not be used to weaken or even to abolish the quality management organization. All effective technical measures must be upheld. Reward and punishment practices that are detrimental to an improvement of work quality must be promptly readjusted.

Energetic efforts to improve the technological quality of the enterprises are a reliable guarantee for the improvement of work quality. We must first of all organize all personnel at the work sites and all quality inspection personnel to study the technical norms and the test and evaluation standards, so as to raise the level of their basic knowledge and improve their ability to apply such knowledge. We must then effectively organize the technical training of the rural construction teams. Currently, most production workers on the construction sites belong to rural construction teams; their basic qualifications are poor and they have little technical ability. A rapid improvement of their technical quality can have an immediate and obvious effect in the improvement of their work quality. It is absolutely necessary that the departments in charge at all levels adopt effective measures and make vigorous efforts to bring about this organization.

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DOMESTIC TRADE

SHANGHAI URGED TO OPEN ITS DOOR WIDER

HK011003 Shanghai SHIJIE JINGJI DAOBAO in Chinese 10 Jun 85 p 5

[Report: "We Should Open Up to the World and Open Up Still More to Other Parts of China"]

[Text] Shanghai must open its door wider to other provinces and municipalities so as to become a real national center for commodity circulation as soon as possible. This is the very point which the responsible people of some provinces' and municipalities' offices in Shanghai repeatedly emphasized when interviewed by our reporters.

Last year, our journal invited the responsible people of the offices of all provinces, municipalities, and autonomous regions in Shanghai to participate in a forum. Many participants in the forum complained that it was extremely difficult for commodities produced in other parts of the country to enter the Shanghai market. They hoped that Shanghai would further open up to other parts of the country and become a real commodity circulation center in China. Has any progress been made in this respect in the past year. When answering this question raised by our reporters, these responsible people of the offices of other provinces, municipalities, and autonomous regions showed signs of worry and anxiety. They told our reporters that some progress as made after last October when the municipal government promulgated 10 measures to encourage other provinces, municipalities, and autonomous regions to open plants and shops in Shanghai. According to preliminary statistics, so far more than 250 companies, shops, and salesrooms run by other provinces, municipalities, and autonomous regions on their own or in cooperation with Shanghai firms have been registered with the Shanghai authorities to start business, mainly dealing in name-brand or special industrial products and agricultural and sideline products imported from other provinces and municipalities. However, these responsible people also pointed out sharply: The achievements that have been made so far do not suit the economic position of Shanghai in terms of their quantity, scale, and economic results. Moreover, most of the 250 business firms whose application for starting business operation has been approved are merely in preparation, being faced with lots of difficulties; while those already inaugurated have in general failed to score good economic results due to various reasons.

Various provinces, municipalities, and autonomous regions have tremendous potential to assist Shanghai in vigorously developing tertiary industry, expanding the markets for production means and means of subsistence, and augmenting the supply of agricultural and sideline products. A responsible person from Jiangsu Province's office in Shanghai pointed out: First of all, it is with the aid of Shanghainese "brains," namely, technology and information, that Suzhou, Wuxi, and Changzhou managed to develop at a high speed and have scored tremendous economic results. Now that Jiangsu Province and other parts of the country are developing further, they badly need to tap the market in Shanghai. The Shanghai market is the barometer of China's economic development. Opening up the Shanghai market and allowing commodities from various places to compete with each other in this market will surely strengthen the role of Shanghai as China's commodity marketing center, thus give an impetus to the development of the commodity economy in the country. The general secretary of the recently established association of information consultants of the offices of various provinces, municipalities, and autonomous regions and different ministries in Shanghai told our reporters: Shanghai is China's biggest economic center and the Shanghai economic zone is the country's most developed "golden triangle." The municipality and the zone can provide inexhaustible information. When Shanghai further opens its door, all provinces, municipalities, and autonomous regions will be able to extensively collect, convey, study, and publicize the information provided by Shanghai Municipality and the Shanghai economic zone concerning commerce, finance, scientific and technology, as well as professional personnel. Macroeconomically speaking, the information may serve as background knowledge to be used by the leadership of various places in making decisions. Microeconomically speaking, the information available may help local industrial enterprises as well as town and township enterprises to raise the quality of their products and to enhance their own competitive powers. Through the development of information service, the horizontal economic links between Shanghai and other provinces will be brought into a new stage, which is beneficial to both sides.

A responsible person from Jiangxi stationed in an office in Shanghai said: The strategic position of Shanghai, the process of reform, and the implementation of the open-door policy have determined that Shanghai must become the country's display window for commodities as quickly as possible. This is a strategic task which brooks no delay. Leading people at all levels and all departments concerned of Shanghai should make further efforts to create a good environment for the operation of plants and shops from other parts of the country. In running cooperation projects, both local units and their partners should observe the principle of equality and mutual benefit--"strengthening cooperation with units in the Chinese hinterland" and "squeezing into the international market" are closely linked together. Only by tapping the potential of the Shanghai economic zone and being geared to the needs of the whole country, can we squeeze into the international market. Moreover, it is necessary to adopt a policy providing a good environment for units from other parts of the country to promote their products in the Shanghai market. For example, setting up a unified coordination agency to be in charge of overall arrangements regarding the selection of products to be marketed and the sites for establishing plants and shops, as well as the supervision of the servicing

and management of these plants and shops; adopting a series of preferential policies regarding taxation and pricing to prop up medium and small-sized enterprises in particular as well as town and township industrial enterprises, and fixing in the form of law all policies and measures governing economic activities of plants and shops established in Shanghai by units from other parts of the country. They said they believed that Shanghai and the whole country would undergo a marvellous change in the economic field so long as Shanghai continued to open its door wider and wider to both foreign countries and other parts of the country.

In June last year, Shanghai announced that units from other parts of the country were welcome to establish plants and shops in the municipality; then in October, the Shanghai Municipal Government promulgated 10 measures providing conditions favorable to establishment of plants and shops by units from other parts of the country. According to statistics, however, so far only some 250 industrial companies, marketing centers, shops, and salesrooms have been founded in Shanghai by incoming proprietors on their own or in cooperation with local enterprises. But in fact quite a few of them have not yet been officially inaugurated--they have merely registered with the authorities concerned, being faced with enormous difficulties in preparation. Those which have been officially inaugurated do not do good business, their economic results being poor in general. The door of Shanghai seems to be open, but one can hardly achieve anything in face of numerous obstacles in Shanghai. What is the reason for this? Our reporter visited some units a few days ago and discovered some problems worthy of seriously study by the departments concerned.

#### It Is Difficult to Hire a House and the "Basic Charge" is Terribly High

Before the promulgation of the 10 preferential policies by the municipal government, it had been fairly convenient for units from other parts of the country to set up plants and shops in Shanghai. For example, the Heilongjiang Products Marketing Center managed to rent a shop with an area of 50 square meters at 40 yuan or more without paying any additional charges. However, the rent of all ground floor shops facing main streets in the downtown rose sharply as soon as various provinces and municipalities showed intention of opening plants and shops in Shanghai after the 10 policies were promulgated. At the same time, those suppliers of houses began to ask their prospective tenants to pay constantly increasing basic charges. For instance, the Qiqihar Comprehensive Trading Company, which was founded 2 months after the Heilongjiang marketing center, was asked to pay its Shanghai partner 100,000 yuan a year as a basic charge, apart from the rent for a shop and an office with a total area of 200 square meters or more. The Shanghai marketing center of Fujian products jointly run by Fujian products jointly run by Fujian and Shanghai partners has to pay an annual basic charge up to 170,000 yuan. The Ningbo Yongda Company, which has rented a shop with an area of more than 30 square meters, has to pay a very high basic charge too. The company has already paid a management fee to fit [word indistinct] interior and the front of the shop. The shop still has not been officially inaugurated nearly half a year after the commercial license was issued.

Shanghai has long been faced with a serious shortage of ground floor shop space facing main streets. Many units from other provinces, municipalities, and especially enterprises from counties, towns, and townships which have shown intention of opening plants and shops in Shanghai have shrunk back at the sight of the terribly high basic charge. Wherever our reporters visited, they were told that plants and shops founded by incoming units could make no profits despite their hard work because all they earned had to be turned over to Shanghai as a basic charge. Officials of these units admitted that due to different conditions the price of land and the rent for houses could hardly be standardized. However, they pointed out that at least an upper limit and a lower limit could be fixed based on a general classification of sales or premises in the market. Otherwise, even though the door is opened, most enterprises from other provinces and municipalities dare not enter or will be faced with numerous obstacles as soon as they enter Shanghai, finding no way of improving their economic results.

#### There Is Undue Intervention in Certain Cases

"We have to brave various difficulties in the course of development. We may encounter unimaginable obstacles with every small step we take." The responsible people of many enterprises from other parts of the country told our reporters with deep feeling. They pointed out: Although the Shanghai Municipal Government has promulgated 10 measures, different districts and departments of the municipality carry out the measures in their own ways and follow many old conventions. When applying for licenses, opening accounts in banks, selecting sites, or making preparations for opening plants and shops, they have to deal with more than 10 departments at different levels. As soon as the plants and shops are inaugurated, they are immediately faced with numerous "exorbitant charges." Every department can intervene in the normal operation of these enterprises.

The responsible person of a company told our reporter: In the initial period of their foundation, many units not only have to satisfy harsh terms set by their Shanghai partners but also have to deal with intervention from many circles. Some of these demands are absolutely preemptory. For example, when these units begin to fix up the front of their shops, the premise administration department will come to collect the survey and management fee; if there is a sales stall run by a neighborhood organization in front of the prospective shop space, a solid amount of compensation charge must be paid to move the stall away before the shop is inaugurated; the income tax rate for incoming partners and the tax exemption rate vary widely from district to district; and so on. Different kinds of external intervention have exhausted all these units. So far most of them are making meagre profits or even suffering losses.

#### Partners Lack Sincerity in Engaging in Cooperation

The responsible people representing the non-local parties of many jointly run enterprises sharply pointed out: "Our partners lack sincerity in engaging in cooperation with us," in fact, our Shanghai partners want to benefit from the rent payment. However, both sides in the cooperation should cooperate their

their enterprises based on the principle of mutual dependence and mutual benefit.

The responsible person of a jointly run company briefed our reporters on an analysis of the company's monthly expenditure. He said that the minimum monthly expenditure of the company amounts to 21,000 yuan or more, including the monthly rent, the basic charge, the share of expenses in shop front fitting-up work and other miscellaneous expenses. And the remaining profits if any are to be equally shared between the two partners. The current case is that the Shanghai side has its basic income guaranteed and the profits it can share are not subject to an upper limit, while its partner does not have its basic income guaranteed and is not sure whether it can make any profit or not. Such cooperation is not on an equal footing and in keeping with the principle of mutual benefit. That responsible person held that the current situation is unfavorable to tapping the initiative of other provinces and municipalities in investing in Shanghai as the profits shared by the Shanghai side was not linked to the economic results of the investment projects. Many investors from other parts of the country suggested that the Shanghai authorities be sincere in implementing the open-door policy and instruct their industrial, commercial, and tax departments to create a good environment for investment so as to encourage units from other parts of the country to open plants and shops in Shanghai. They held that as far as the guiding ideology is concerned, both sides in the cooperation should try to reach a common understanding and the host should make an effort to help other provinces and municipalities to improve economic results; as far as specific measures are concerned, both sides should be engaged in the actual operation of their joint projects, prepare favorable conditions for each other, and raise the management efficiency of their jointly run enterprises. They sincerely said: "Anyway, the Shanghai side is to get the lion's share and will surely make profits whether the investment is successful or not. So we hope Shanghai will give us some help and try not to put a too heavy burden on us."

The responsible person of Anhui Province's Huaan Trading and Industrial Corporation told our reporters: Shanghai is the Shanghai of the Shanghainese, but after all it is the Shanghai of the whole country. All provinces and municipalities rely on Shanghai while Shanghai also relies on all other provinces and municipalities. Do not treat us as an alien force. The sincere cooperation between Shanghai and other provinces and municipalities is beneficial to both.

Only When the Two Sides Work for the Good of Each Other Can the Cooperation Between Them Be Beneficial to Both

Of course, some of the 250 enterprises established by units from other parts of the country are being run well by these units in cooperation with local units. Our reporters have found quite a few valuable hints during their coverage of Hutai Trading Company jointly run by Jiangsu Province and Shanghai and Laobeimen Comprehensive Trading Company jointly run by Zhejiang Province and Shanghai. The partners of these two companies have trust in each other, uphold the principle of mutual benefit, and make common efforts to create an environment favorable to the operation of the enterprises. The



Shanghai partners have not set any harsh terms for cooperation nor demanded high basic charges. They have taken active part in the enterprises' operation instead of sitting idle while sharing profits. As a result, both companies have scored satisfactory economic results.

Our reporters found in their investigations that units from other parts of the country had made contributions to Shanghai while making investment and doing business in Shanghai. For instance, they have brought more goods into the Shanghai market, thus satisfying local consumer demand for special products produced in other places; they have helped a large number of medium and small enterprises in Shanghai to speed up the reform process through engagement in joint management and shift to new production sectors; they have provided jobs to some of the youths awaiting jobs and tapped the potential of the idle social labor force in Shanghai; and so on. By and large, while opening the door of the Shanghai market, these units have promoted the two-way circulation of products between Shanghai and the hinterland, turned Shanghai into the site where commodities from different places compete with each other, thus pushed ahead the rapid development of the commodity economy in other parts of the country. Such a development will greatly enhance the attraction and influence of Shanghai as the commodity center and the pivot in the community circulation network of the country.

The reform and the open-door process are developing in depth and the central authorities are expecting Shanghai to play a pioneering role. As Shanghai is situated at the junction of the world market and the booming unified domestic commodity market, it should open its door more boldly and create a good environment for business operation. If a large number of businessmen are attracted from far and near to compete in the Shanghai market, it will surely push ahead the rapid economic development in Shanghai as well as in the whole country.

Wuhan City has done a good job in implementing the open-door policy, and has attracted many businessmen and commodities to compete there. At present in Wuhan there are more than 460 plants and shop run with investment from other parts of the country. On average, 36 plants and shops were established every day in the past 11 months. When will Shanghai shows it courage and insight in this respect?

(This page is compiled by Yu Zhenwei [0205 2182 0251] and Li Xiandong [7812 0341 2639], who are interns from the Department of Journalism of Fudan University.)

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FOREIGN TRADE AND INVESTMENT

DENG XIAOPING ON OPEN-DOOR POLICY, SPECIAL ECONOMIC ZONES

HK011214 Beijing ZHONGGUO XINWEN SHE in Chinese 1111 GMT 1 Aug 85

[Report: "Deng Xiaoping Reiterates that China's Open-Door Policy Is Steadfast"--ZHONGGUO XINWEN SHE headline]

[Text] Beidaihe, 1 Aug (ZHONGGUO XINWEN SHE)--Today, in Beidaihe, Chairman Deng Xiaoping of the CPC Central Advisory Commission reiterated once again that China's open-door policy is steadfast. He said: These two statements are still true: First, the policy of building special economic zones is correct, and second, the Shenzhen Special Economic Zone is an experiment. There is no inconsistency between them. The open-door policy is itself an experiment, a grand experiment from a global angle.

Deng Xiaoping said the above things at a meeting with Yoshikatsu Takeiri, chairman of the Central Executive Committee of Japan's Komeito, and the delegation headed by him.

At present, Deng Xiaoping said, the Shenzhen Special Economic Zone is converting its inward-oriented economy into an outward-oriented one. It has just started and just managed to take a small step forward.

Not long ago. Deng Xiaoping continued, I characterized the Shenzhen Special Economic Zone as an experiment and people abroad immediately said that we were going to change our policies. The open-door policy is a steadfast policy, he added, however, it must be implemented with care. Although we have achieved much success, we must be modest about it.

What you said is very clear, Yoshikatsu Takeiri said, after listening to your comments, many people in the world will feel reassured.

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FOREIGN TRADE AND INVESTMENT

CHINA BUYS U.S., SOVIET, FRENCH, AND BRITISH AIRCRAFT

HK231020 Beijing ZHONGGUO XINWEN SHE in Chinese 0337 GMT 18 Jul 85

[Text] Beijing, 18 Jul (ZHONGGUO XINWEN SHE)--Figures provided by the Civil Aviation Administration of China [CAAC] shows: This year, China has ordered a total of 58 aircraft from foreign countries. The number of seats on these aircraft amounts to 7,000. Now these aircraft have gradually arrived and some of them have been used in regular flights.

These airplanes include: 21 Boeing 747, 737, and 767 airplanes made by the Boeing Company of the United States, 3 MD-82 airplanes made by the Douglas Company of the United States; 3 A-310 airplanes made by the Airbus Company of Europe; 13 Tupolov-154 airplanes made in the Soviet Union; and 18 small and medium-sized airplanes made in Britain.

This is the first time in over 30 years that China has bought so many new and modern airplanes from foreign countries. The purpose is to replace old planes with modern ones and to ease the tension in the civil aviation and transport in the country at present.

Before the newly-ordered Boeing airplanes, which can carry more than 400 passengers, arrived, CAAC borrowed a Boeing 747 airliner from the Boeing Company and the airplane has already been used in regular flights.

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FOREIGN TRADE AND INVESTMENT

SINO-JAPANESE ECONOMIC LAW SYMPOSIUM CONCLUDES IN QINGDAO

SK270820 Jinan Shandong Provincial Service in Mandarin 2300 GMT 26 Jul 85

[Text] The symposium on the economic laws of China and Japan ended at the (Huiqian) Auditorium in Qingdao on the morning of 26 July.

Attending the closing ceremony were responsible persons of the Chinese side, including Vice Minister of Justice Zhu Jianming; Guo Ming, responsible person of the Economic Legislation Research Center under the State Council; Vice Governor of Shandong Province Liu Peng; and responsible persons from the Japanese side, including head of the Japanese delegation (Chun Dao Wu Xuan), deputy heads of the delegation (Yuan Hou Shan Zhi) and (Sun Shang Zhi), and (Ji He Liad), director of the General Affairs Bureau of Sino-Japan Economic Law Center.

Zhu Jianming, vice minister of justice, presided over and delivered a closing speech at the symposium.

He said: In the short 5-day period, specialists in economic law, lawyers and entrepreneurs from the Chinese and Japanese sides enthusiastically, warmly, frankly and friendly made statements, held group discussions on special subjects, and had free talks to widely and deeply exchange views on and study the economic laws of the two countries and the legal issues in further developing economic and technological cooperation between the two countries. Through these activities, their mutual understanding and friendship were further strengthened, and channels and conditions were opened and created for further developing legal exchanges and economic and technological cooperation between the two countries in the future. After this symposium, the legal and enterprise circles of China and Japan, under the principle of peace and friendship, equality and mutual benefit, mutual confidence, and long-term stability, will further cooperate with each other and make concerted efforts to greatly promote friendly and cooperative relations and to make new contributions in promoting the long-term development of economic and technological cooperation and friendly and cooperative relations in all fields between the two countries.

The Shandong Provincial People's Government and the Qingdao City People's Governments held a farewell party at noon. Vice Governor Liu Peng proposed a toast.

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## FOREIGN TRADE AND INVESTMENT

### JILIN FOREIGN TRADE WORK DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 5, 27 May 85 pp 45-46

[Article by Liu Dechun [0491 1795 2504], Chairman of the Jilin Foreign Economic Relations and Trade Committee: "Improve Work in Introducing Technology and Accelerate the Opening Up of Jilin"]

[Text] Jilin, located in the center of the northeast of China, is a province rich in natural resources with great potential for development. In recent years, under the guidance of the policy of opening to the outside world and reviving the domestic economy, the national economy of Jilin has made great advances. The 1984 provincial gross industrial and agricultural output value reached 27 billion yuan, an increase over the previous year of 11 percent; the national income reached 13.8 billion yuan, an increase over the previous year of 9 percent; financial revenue amounted to 1.71 billion yuan, an increase over the previous year of 21 percent; and the provincial volume of exports reached 239 million dollars, an increase over the previous year of 46.9 percent. The import volume increased by 2 percent compared to the previous year. The 1984 provincial gross industrial and agricultural output value, national income, financial revenue, average peasant net income, and cereals and oil production volume all met the 1985 targets set by the Sixth 5-Year Plan.

Although an unprecedentedly fine situation has appeared in the national economy of Jilin, numesous problems still exist:

First, the superior natural resources are ready to be exploited. In terms of geographical distribution, the eastern section consists of the Changbai mountain area which is rich in timber, medicinal materials and mountain products. Jilin ranks second in the nation in the volume of timber produced per year and first in the output of ginseng and pilose antler. The central section consists of the Songliao Plain which is one of the national production bases for commodity grain. The western section consists of the Liaokuo prairie belt which has great potential for animal husbandry. Mineral products lie buried beneath the entire province. We have been unable to fully exploit and utilize many of these natural resources. For example, Jilin lacks advanced timber processing technology and facilities so that every year many branches, slabs and tree csowns are wasted. Another example is the ginseng leaves, stems and flowers which contain ginseng sap glucoside and constitute nearly one-half

of ginseng output. If we could make full use of these we could increase the output value by up to 100 million yuan in one year. All this is ready for exploitation which would transform it into real wealth.

Second, Jilin's grain output has increased by leaps and bounds and grain conversion is needed. Prior to 1982 grain output in Jilin barely amounted to 20 billion jin. At that time only 300 million jin of grain could be transported per year and frequently tasks were not completed. In 1983 and 1984, due to the thorough implementation of the output-related responsibility system of in the countryside, peasant enthusiasm was greatly stimulated and grain output increased greatly one year after the next. In 1984 a new record of 32.3 billion jin was set and Jilin ranked first in the nation in grain per capita and grain marketability. Throughout the province it is essential to transport up to 10 billion jin of grain, to strive to develop animal husbandry and food processing industries with grain as the raw material, and to do good work in grain conversion.

Third, industries in Jilin are relatively complete; there is a solid foundation. However, most of the over 11,000 industrial enterprises in the province were built in the fifties and sixties. Facilities are obsolete, technology is dated and they cannot meet the current demands for new technological development. Replacement and technological transformation are urgently needed. If this problem is not resolved industries will have no staying power and it will be impossible to maintain the fine situation of continued development.

These problems illustrate the extreme urgency of doing good work in introducing technology, utilizing foreign capital and advanced technology, actively exploiting Jilin's natural resources, successfully carrying out the technological transformation of industries and striving to develop integrated processing and utilization.

In the past few years, some work has been done in Jilin to utilize foreign capital and introduce technology. However, because our ideology is not sufficiently liberated, this work is generally characterized by the following: the path is not broad enough, our steps are not big enough, our methods are not flexible and results are not remarkable. In order to more rapidly develop the national economy of Jilin, our province proposed a new struggle objective last year, namely: liberate ideology, carry out the two changes (technological transformation and reform of the system), accelerate the three introductions (introduce technology, capital and talent), improve beneficial results, and double output value within the next 7 years (by 1990 the provincial gross industrial and agricultural output value should be double that of 1983). Based on this spirit, Jilin's key projects utilizing foreign capital and introducing technology must hereafter primarily utilize Jilin's abundant resources in agriculture, forestry, animal husbandry and mining. This will give full play to the superiority of the existing industrial production of machines, industrial chemicals and optical instruments. We must exploit and use resources, carry out technological transformation and improve product quality and economic results so as to promote the rapid development of the national economy of the entire province.

In 1984 we took new steps toward utilizing foreign capital and introducing technology. Based on the needs of developing circumstances and actual possibilities, we proposed 120 foreign economic and technological cooperation projects. In December 1984 we conducted for the first time a "Meeting to Present Foreign Economic and Technological Cooperation Projects in Jilin" in Hong Kong. The meeting lasted ten days. Over 200 guests from various countries and Hong Kong were admitted. In all 90 contracts and agreements were signed which would bring in technical equipment using foreign exchange. Thirty joint capital cooperative production contracts, agreements or written statements of intent were signed. The extent of contacts at this presentation meeting, the number of projects signed, the amount of money and the scope of influence were all unprecedented in Jilin. At present we are focusing on implementing these tasks.

While opening up to foreign trade we realized that it is first necessary to understand the situations of various countries and it is necessary for them to understand our situation in Jilin. In particular, in Jilin, a relatively inaccessible inland province, contacts with foreign countries have been few. Thus, it is even more necessary to do good work in this respect. As for trade, when engaging in cooperation we should know ourselves and know the other party. If we understand each other then we may sincerely cooperate. While we held the presentation meeting in Hong Kong, in addition to making extensive contacts with Hong Kong's friends in the world of industry and commerce, we also made an effort to propagandize and introduce Jilin's investment environment and development plans in Hong Kong newspapers and periodicals. Not only did we promote the concluding of transactions at the meeting, we also created fine conditions for expanding future cooperation. Therefore, we enthusiastically welcome persons from all countries and Hong Kong to come to Jilin to visit, tour and observe so as to increase mutual understanding and trust and to create a fine atmosphere for holding talks on trade and setting up enterprises.

Next, based on our understanding, some people in industry and commerce in foreign countries and Hong Kong have a few apprehensions about investing in and running factories in inland areas. One concern is whether they can make a profit and the other is if they do make a profit can they get it out of the country. There is no need for our friends to be concerned about this. In order to accelerate the introduction of technology, the people's government of Jilin reached a decision that favorable conditions be provided regarding periods of cooperation, costs of land, purchase and selling prices, tax exemption, domestic markets, profit remittances, etc. In particular the matter of having the right to make decisions within the province must be even more favorable than the terms in coastal cities. Our principle is equality and mutual benefit. When discussing projects, regardless of which method is used, both parties must reap economic benefits. We are all willing to accept this and cooperate wholeheartedly.

We believe that Jilin with its superiority of abundant natural resources, good faith in cooperation and its favorable conditions will surely attract an increasing number of people in industry and commerce in foreign countries and in Hong Kong to invest in Jilin and run enterprises.

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FOREIGN TRADE AND INVESTMENT

SALE OF JOINT VENTURE GOODS ABROAD QUESTIONED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 5, 27 May 85 pp 48-49

[Article by Zheng Yaner [6774 6056 1422]: "The Issue of Selling Joint Venture Enterprise Goods at Home or Abroad"]

[Text] China's "Joint Venture Enterprise Law" and the regulations for its implementation all clearly stipulate that the Chinese government encourages joint venture enterprises to sell their goods on the international market. Goods from joint venture enterprises or wholly-owned foreign enterprises in China's experimental special economic zones are primarily geared for export. Goods from joint venture enterprises in the interior of the country should all or partially be resold. This is almost a universal requirement of developing countries, and it conforms to conditions in our country. The reasons for this are: First, the level of economic development in China is not high, in particular, the competitive ability of goods from certain new and developing industrial sectors is still quite weak. Considering the overall situation of national industrial development, it is necessary that the domestic market be protected to a moderate degree. Not only China, but many developing countries and even developed countries do this. Second, because China's export ability is still weak, some producers must rely on the selling experiences and channels of foreign businesses to enter the international market. This is also the goal of certain projects in setting up joint ventures with foreign businesses. In this type of enterprise, the proportion of resale should be expanded as appropriate. Third, the basic starting point for utilizing foreign capital is to introduce advanced foreign technology and business management experience. Whether or not technology is advanced will depend on whether it withstands the competition of the international market. Resale or partial resale is beneficial to foreign business in coping with competition, continuing to provide new technology and improving business management. Fourth, enterprises themselves must have a foreign exchange balance. Generally speaking, joint venture enterprises must strive to attain a foreign exchange balance. Foreign exchange must be used in payments for recovery of interest and principal for technical facilities and funds invested by foreign personnel in joint venture enterprises, the payment of wages of foreign personnel, payments for those raw materials that must be imported by joint venture enterprises for production as well as payment of expenses for participating in business activities in the international market. All this cannot be assumed by the state.



Some people are concerned that if foreign business assumes the duty of resale, this may lead to competition with the same kind of goods already provided by foreign business on the international market. Thus, this kind of regulation is difficult for foreign business to accept. These apprehensions are actually unwarranted. The goal of foreign business is to obtain maximum profit. All investments will be beneficial to them, they themselves may comprehensively consider and evaluate conditions and select what is best. China has this requirement regarding resale as do numerous other countries. Moreover, China also has other conditions which are superior to other countries so that foreign business will come to China as they used to.

Of course, we must carry out concrete analysis of goods from all joint venture enterprises. All requests for resale must be honored, otherwise it may hinder the enthusiasm of foreign businesses for investing in China. China's market is vast and its potential great. China is in a very strong dominant position and we have great appeal to foreign business. We must make use of this strong position to attract foreign capital for our use. As for those that can bring in needed technology, particularly technology and business management techniques that are difficult to obtain through general commercial means, whether China is in urgent need of their goods or whether we need to import large quantities, we should allow the proportion of goods sold at home to be somewhat larger or give priority to the domestic market. Some goods may even be entirely for the domestic market. Of course, for general enterprises, as their goods enter the international market during the trial production phase, it is reasonable to allow some of their goods on the domestic market. Since the proportion of goods on the domestic market in this kind of enterprise is great, it is difficult for them to achieve a foreign exchange balance. With approval, this may be resolved by local authorities, departments or the state.

Will this approach crowd the domestic market for other enterprises? From the above section one can see that some goods from joint venture enterprises on the domestic market are goods that cannot be produced domestically; some are goods that China needs to import in large quantities; and some are goods in trial production. Their competitive ability is not very strong and their sales volume is also limited. Generally speaking, the technological and management levels of joint venture enterprises are higher than in similar domestic enterprises and product quality is higher. Once these goods enter the domestic market they actually fill a void there. At the same time, this may make some of our similar kinds of products seem inadequate by comparison and during competition. This will promote an increase in the technological and management level and accelerate the upgrading and changeover of products. Regarding the matter of selling their goods on the domestic market, numerous foreign businesses have said that they truly have no intention of competing with goods on China's market that have been successfully marketed independently. Rather, they are trying to use new techniques and goods to obtain the dominant position among joint venture enterprise goods sold on the domestic market. They are also trying to make a profit on their investments as due. In this regard we should open up some of the domestic market in a planned, selective and purposeful manner so as to motivate foreign businesses to invest in and operate joint venture enterprises. This will enable us to benefit from their advanced technical facilities and management experiences and this will accelerate the technological transformation of existing



domestic enterprises and promote an improvement in the standard of business management.

In terms of the present situation in China, the domestic market's demand for some commodities is great. As for consumer products, not including advanced machinery and equipment, even though we adopted measures over the past few years to control the import of consumer goods, between 1979 and 1982 the amount of money spent on imported consumer goods for daily living reached more than 17 billion dollars. The quantity, variety and amount of exchange used were all quite large. By fully utilizing existing Chinese enterprises and productive capacities, by operating more joint venture and cooperative enterprises, by switching some foreign exchange originally used to import goods to solve the difficulties of these enterprises caused by having a portion of their products for sale on the domestic market, it will be possible to resolve the problems these enterprises are experiencing in obtaining a foreign exchange balance created by selling products on the domestic market. This will also be advantageous to raising the level of domestic productivity and the level of technology and management. This will increase self-reliance and, at the same time, satisfy the needs of the domestic market and encourage more and better products to enter the international market so that we will receive even more foreign exchange. All this would be very advantageous.

At the present time, providing goods of certain joint venture enterprises an appropriate proportion of the domestic market may be of some advantage to foreign business. However, in the end, it is we who benefit. Generally speaking, the development of a new product and opening up new market resources require a few years or longer. The emergence of a product market with good economic benefits often also takes long periods of time. Today we have set aside a portion of the domestic market in order to start a flourishing and permanent market. It is necessary for us to have such strategic foresight.

9864

CSO: 4006/755

FOREIGN TRADE AND INVESTMENT

BRIEFS

**HAINAN EARNS FOREIGN EXCHANGE**--In the first half of this year, Hainan Region reached an unprecedented level in earning foreign exchange by promoting export trade. The region has earned more than \$59 million, or over \$26 million more than last year's record amount. Over a long period in the past, the annual foreign exchange earned by the region's export trade was always around \$10 million. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 24 Jul 85 HK]

**JILIN CORN EXPORTS**--The state has assigned Jilin Province the task of exporting 5.8 billion jin of corn in 1985. As of the end of June, the province had exported 3.3 billion jin, accounting for 56.9 percent of the state's yearly assignment. [Excerpt] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 9 Jul 85 SK]

**JILIN-HONG KONG HOTEL**--The Jilin Provincial International Trust and Investment Company and the Hong Kong Yingde (China) Corporation, Ltd., have signed a letter of intent on jointly building a hotel in Dalian, Jilin Province. Tentatively named the "Jida Hotel," it will be a building of 25 to 30 storeys, and with 500 to 700 rooms and 100 to 150 office rooms. The Dalian City People's Government will provide the site, and the Yingde Corporation will provide all the construction funds, which will come to \$55 million. This hotel will be jointly run by the provincial and Hong Kong sides for 15 years, not including the construction period. Then it will be transferred to the province gratuitously. [Summary] [Changchun JILIN RIBAO in Chinese 20 Jun 85 p 2 SK]

**TIANJIN JOINT VENTURES**--As of 9 July, of the 118 Sino-foreign joint ventures in Tianjin Municipality, 32 have gone into operation and opened business. The total investment of these 32 joint ventures was more than \$40 million, 59 percent of which was invested by the Chinese side and 41 percent by the foreign side. [Summary] [Tianjin City Service in Mandarin 0030 GMT 10 Jul 85 SK]

**JIANGSU ROCK DRILL**--The first batch of hydraulic rock drills produced by the Nanjing Engineering Machinery Plant in cooperation with a Swedish machinery company rolled out of the production line on 3 July. The plant imported a whole set of designing and manufacturing technology from the Swedish company in 1984. [Summary] [Nanjing JIANGXU Provincial Service in Mandarin 2300 GMT 3 Jul 85 OW]

CSO: 4006/837

SPECIAL ECONOMIC ZONES

GU MU STRESSES EFFORT AT SPECIAL ECONOMIC ZONES

OW020154 Beijing XINHUA Domestic Service in Chinese 1905 GMT 31 Jul 85

[Text] Tokyo, 31 Jul (XINHUA)--China will continuously draw from its experience in order to make the special economic zones a success, said Chinese State Councillor Gu Mu in Tokyo today.

Gu Mu made this statement in response to a Japanese reporter's question at a press conference jointly given by him and Japanese Foreign Minister Abe.

Gu Mu said: In recent discussions with foreign visitors on China's special economic zones on several occasions, Chairman Deng Xiaoping said that China will not change its stand on its policy of opening to the outside world. Chairman Deng Xiaoping's assessment of the special economic zones and his views on their future are quite scientific because, first of all, he has affirmed the achievements in developing the special economic zones and, second, he had said that we have to wait a while to see the future development of the special economic zones. Chairman Deng Xiaoping said: China still lacks the experience in such a new thing as the special economic zones, and needs to continuously draw from its experience in order to overcome shortcomings and deficiencies and strive to make the special economic zones a success. Gu Mu pointed out that Chairman Deng Xiaoping's remarks are encouragement to the people working in the special economic zones.

CSO: 4006/837

LABOR AND WAGES

BRIEFS

FUJIAN EMPLOYMENT--Since 1979, Fujian Province has furnished employment to some 820,000 people in its urban areas. The rate of employment in urban areas rose from 84.9 percent in 1978 to 97.6 percent at the end of last year. The unemployment problem has by and large resolved. [Summary] [Fuzhou FUJIAN RIBAO in Chinese 19 Jun 85 p 2 OW]

CSO: 4006/839

TRANSPORTATION

STATE COUNCIL APPROVES FORMATION OF HEILONGJIANG AIRLINE

SK050438 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 3 Aug 85

[Text] The State Council recently approved the province organizing and developing the Longjiang Airline Company. The pertinent agreements already have been signed.

The company will mainly act as a provincial local airline, including protecting forests, weeding, applying fertilizers, sowing, and prospecting for mineral deposits by air. The company will also deal in some of the scheduled flights between Harbin and Beijing, Shanghai, Quanzhou, Shenyang, and Dalian.

The State Civil Aviation Bureau has approved that the pricing of passenger tickets and freight transport fees of the company can float on the basis of national unified prices, with the approval of the Pricing Department under the provincial people's government. Effective from 1987, the company will carry out independent accounting and assume sole responsibility for its profits or losses.

The leading group for organizing and building the Longjiang Airline Company has been established with the approval of the provincial people's government. Vice Governor An Zhendong has been appointed head of the leading group and Chen Jianfei advise to the group. The leading group has already begun its work.

CSO: 4006/833

## MINISTRY OF AERONAUTICS ANNOUNCES SEVENTH 5-YEAR PLAN

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 12 Apr 85 p 1

[By Wang Jinyu [3769 6855 0151] and Gao Lu [7559 7216]: "Ministry of Aeronautics Completes Plans for Speedy Development of Domestic Civil Aircraft Production"]

[Text] At a news conference on 11 April, a leader of the Ministry of Aeronautics stated that the Ministry has formulated its plans for the speedy domestic development of civil aircraft during the Seventh 5-Year Plan.

The spokesman stated that the State Council emphatically pointed out in a recent document that the time has come to solve the problem of a speedy development of domestic production of civil aircraft. A large country like China must not only rely on the purchases of foreign aircraft in its aviation. The development of domestic production of civil aircraft will be a costly affair, but is absolutely necessary. The spokesman stated that the focus in the development of civil aircraft during the Seventh 5-Year Plan shall be on aircraft for the new branch lines and for special agricultural and forestry purposes, with product quality to measure up to advanced international levels. Apart from satisfying domestic needs, entry should also be sought into the international market. In the types of aircraft that are currently being produced domestically, methods should as far as possible be adopted to import advanced types of motors, electronic equipment and other parts and components, and to improve the models of aircraft.

He also said that the development of domestic production of civil aircraft shall take full advantage of the new policy of opening up to the outside world. We must also seize the favorable conditions in the international market, and while basing our actions on the foundation of all available scientific research and technological strength, we must courageously make use of foreign capital and through a variety of channels energetically import advanced technologies, carry out integration of technology and trade, as well as industry and trade, and when importing complete machines, strive to institute at the same time cooperative assembly operations, cooperative production, purchase of technical patents, develop international technical cooperation and promote the development of the domestic civil aircraft industry.

The spokesman also indicated that the Ministry of Aeronautics will in the future render technical services, institute training and counseling services and assist localities and departments in the proper use of the aircraft.

9808

CSO: 4006/788

TRANSPORTATION

JIANGSU TO COMPLETE NEW BERTHS THIS YEAR

HK311053 Beijing ZHONGGUO XINWEN SHE in Chinese 0226 GMT 30 Jul 85

[Report by Yang Hongming (2799 3163 2494): "Nine New Berths Each With a Tonnage of 10,000 Will Be Put into Commission in Jiangsu This Year"--ZHONGGUO XINWEN SHE headline]

[Text] Nanjing, 30 Jul (ZHONGGUO XINWEN SHE)--The provincial projects of 9 new berths in Nanjing Port, Zhangjia Port, and Zhen Port in Jiangsu Province, each with a tonnage of 10,000, have recently been completed. It is expected that these new berths will be put to use by the end of this year.

It is reported that these large, comprehensive new berths, 3 in Nanjing Port, 4 in the Zhenjiang Port, and 2 in the Zhangjia Port, have a total cost of 200 million yuan and that their annual handling capacity is 3.1 million tons. These new berths are large enough for 10,000-ton seagoing ships to berth. They have a complete set of facilities including warehouses, piling yards, equipment for water and electric supply, lifting equipment, and communications equipment. As soon as they are put to use, they will form a handling capacity of a comprehensive nature.

After these 9 berths are put into operation, the Nanjing Port, the Zhenjiang Port, and the Zhangjia Port will form a port colony which will greatly reduce pressure on the Shanghai Port. Goods from the upper reaches of Chang Jiang, including Anhui, Jiangxi, Hunan, Hubei, and Sichuan Provinces, can also be shipped through the above ports.

CSO: 4006/833



TRANSPORTATION

QINGHAI-XIZANG ROAD IMPROVEMENTS AID ECONOMY

OW310850 Beijing XINHUA in English 0705 GMT 31 Jul 85

/Text/ Beijing, 31 July (XINHUA)--A 770 million yuan scheme to asphalt and widen the world's highest highway on the Qinghai-Tibetan plateau was completed on Tuesday, it was announced here today.

The 11-year scheme has also straightened the line of the road from Xining, capital of Qinghai province, to Lhasa, capital of Tibet autonomous region, which now stretches 1,937 km--6 km shorter than before.

The road, formerly a sand-and-stone highway, has now been asphalted and widened from 6 to 9 meters.

According to communications ministry officials here, more than 2,280 tunnels along with many bridges have been built or reconstructed along the Qinghai-Tibet highway.

One official said that cars and lorries could now travel it an average speed of around 60 km per hour, compared with only 40 kph in the past--thus saving fuel.

Built by the army in the 1950's, the highway crosses rivers, deserts and grasslands at an average altitude of 3,500 meters above sea level. A section of 560 km snakes through a permafrost zone.

The official said the reconstructed highway was of vital importance to Tibet's economy. The volume of goods carried along the road is equivalent to two-thirds of the total freight volume entering and leaving the region. Last year, 480,000 tons of goods were carried along it.

In March, the Qinghai Provincial Transport Department opened a direct bus service from Xining to Lhasa to ease the strain on air transport in the region.

CSO: 4020/312

TRANSPORTATION

ANHUI REMOVES HIGHWAY OBSTACLES

Beijing RENMIN RIBAO in Chinese 2 Jul 85 p 2

[Article: "Leadership Changes Workstyle, Inspection of Implementation Carried Out Level by Level--Initial Successes in the Elimination of Highway Obstacles Throughout Anhui Province"]

[Text] As reported by Li Xinsheng [2621 2450 3932] of the Hofei Broadcasting Station and Zhao Xilong [6392 1585 7893], our own reporter, the Anhui provincial party committee and the provincial government have changed their workstyle, instituted a responsibility system level by level, and gained initial successes in efforts to eliminate highway obstacles and reduce traffic accidents.

For years it had been a persistent "ailment" that people used the highways as threshing and drying grounds. Every summer and autumn, our asphalt roads became vast stretches of wheat and rice. In the most serious cases, these stretches were tens of miles long from village to village and from household to household, so that motor vehicles moved along as if on "sping mattresses," which caused endless accidents with damage to cars and loss of life. In 1982, in Fuyang Prefecture alone, 16 passenger cars and trucks were destroyed when wheat straw caught fire.

On the second page of the 29 June issue of this paper, we published an article and photos criticizing the situation. This did attract the serious attention of the provincial party committee and provincial government, but the leading cadres in certain counties, prefectures and villages showed themselves unduly protective of the interests of the peasants and completely ignored the matter, so that the problem could not be solved.

Prior to this year's summer harvest, the leading team of the provincial party committee and provincial government decided to cure the "ailment," organizing a special leading team and mobilizing the governmental, industrial, commercial and public security departments at all levels for a comprehensive adjustment of the situation. The provincial party secretary and his deputy, as well as the provincial governor and his deputy, went down to the counties and villages for an inspection of how things were carried out. They set time limits for elimination of obstacles and, furthermore, announced that the county magistrate will be held responsible wherever the problem is not mended.

As a result, pressure became motive power, and many county magistrates changed their past bureaucratic style of "moving lips but not moving hands," personally went to the villages and on their roads organized sectional undertakings which fixed responsibilities for implementation. In Huoshan County, where the problem had been particularly acute in the past, the deputy magistrate Yang Bingzheng [2799 4426 2398] personally took command, leading the responsible persons of five departments, the transportation, public security, industry and trade, public roads and inspection departments, to carry out implementation of measures area by area and village by village, establishing a responsibility system and thus basically stopping the use of highways as threshing and drying grounds. According to statistics of the provincial traffic department, only one small traffic accident due to the threshing or drying of grain occurred this year from the start of the summer harvest up to today, while there had been 12 car accidents, with 3 deaths and 1 serious injury, during the corresponding period last year. The masses commented that bureaucratism had made it impossible to eliminate highway obstacles, but as soon as there was a change of workstyle, the persistent "ailment" could be cured. By now, the work of eliminating highway obstacles in Anhui Province has been initially successful; for its fundamental cure, further persistent work and consolidation will be required.

9808

CSO: 4006/788

TRANSPORTATION

SPOKESMAN ON EXPANSION OF PORT CAPACITY

OW311431 Beijing XINHUA in English 1308 GMT 31 Jul 85

/Text/ Beijing, 31 Jul (XINHUA)--China has put 12 deepwater berths into operation at its major harbors this month, ahead of the original plan, as part of efforts to ease the current harbor bottleneck.

A spokesman for the Ministry of Communications told XINHUA here today that 11 of the 12 deepwater berths are able to accommodate 10,000 dwt oceangoing vessels, while the other is able to handle 5,000 dwt ships.

These berths, including three container berths and five bulk cargo berths, are already handling Chinese and foreign ships in Dalian, Qingdao, Nanjing, Tianjin and Zhanjiang harbors, the spokesman said.

He said another 12 deepwater berths would also go into operation soon--5 in Zhanjiang harbor, 4 in Zhenjiang harbor and 3 in Huanpu harbor.

In face of the fast-increasing foreign trade, the country's 398 berths--including 173 capable of handling ships over 10,000 dwt--could not cope with the demand.

The spokesman said China's 13 major harbors have a combined capacity of 700,000 tons of cargo a day, but they are now handling more than 900,000 tons a day.

Some officials put the blame on unplanned imports of steel products for the buildup.

To improve the situation, China has earmarked more funds to accelerate the construction of harbor projects.

In the meantime:

--Construction is in full swing on 102 deepwater berths.

--Chinese soldiers have joined the current drive to overcome the bottleneck. Two military wharves and warehouses have been assigned to this task.

--Special groups have been sent to help ease harbor congestion in Dalian, Lianyungang, Shanghai and Tianjin.

CSO: 4020/312

TRANSPORTATION

XINHUA DESCRIBES ZHEJIANG-SHANGHAI WATERWAY

OW301037 Beijing XINHUA in English 0707 GMT 30 Jul 85

/Text/ Hangzhou, 30 Jul (XINHUA)--It was a sweltering summer day this month. Zhang Zhifei, a 72-year-old bargee, and officials in charge of water transport were surveying the canal from Changxing in northern Zhejiang province to Shanghai.

"Don't belittle this route. The high buildings in Shanghai would not have been erected without it," said the old navigator.

It is through this waterway that stone, sand and building materials produced in northern Zhejiang were transported to Shanghai, according to Zhang.

A volume of 19 million tons of freight was shipped through the 241-km canal on the southern edge of Taihu lake last year. This year to see a freight load of 20 million tons, according to local officials.

The volume of cargo transported through this route will come to 32 million tons by 1990, local officials estimate.

The waterway is so busy that several vessels often run abreast. Sirens sound now and then when ships meet head-on.

Official statistics show that 3,646 vessels shuttle through the waterway each day.

Other busy routes include the southern section of the Beijing-Hangzhou grand canal, the Suzhou-Shanghai waterway, and the crisscrossed rivers, lakes and estuaries in the Taihu lake valley center of the Shanghai economic region which covers four provinces in east China.

A total annual freight of 172 million tons travels along waterways in the Taihu lake valley; the figure is three times that handled by the Yangtze river.

In addition to supplying building materials for Shanghai, local people have also shipped in coal and other materials for developing rural industries; rural enterprises have mushroomed along the waterways.

Thousands of villagers go to towns or market places by boat to sell farm produce and purchase various manufactured goods.

A peasant in Changxing county boasted that his monthly income of more than 2,000 yuan has surpassed that of the county head since his family of three purchased a 40-ton motorized barge to ship stone and sand from the countryside to Shanghai.

There are about 1,000 such households engaged in water transport in the Changxing and Huzhou areas. Individuals were not allowed to own motorized vessels before 1979.

While water transport, which costs less than land transport, develops rapidly, narrow channels, port facilities and bridges have become bottlenecks.

Wen Tao, an official from the Ministry of Communications, said that the state plans to dredge some sections and renovate canal facilities during the 1986-1990 period.

CSO: 4020/312

TRANSPORTATION

BRIEFS

DALIAN DEEPWATER BERTHS COMPLETED--Dalian, 2 Aug (XINHUA)--Two deepwater berths were put into use on Thursday, local officials say. Two other deepwater berths will go into operation by the end of September. Construction of all those berths started in March 1983 and were scheduled for completion by the end of this year. The 1,100 "lada" cars imported from the Soviet Union were unloaded at the new berths yesterday. Dalian is one of the 14 coastal cities further opened to foreign trade and investment last year. Port handling capacity increased from 35 million tons in 1983 to 40 million tons last year. This is still short of demand. The port authorities have planned to build, expand and transform harbour facilities to add an annual handling capacity of 30 million tons by 1990. /Text/ /Beijing XINHUA in English 0630 GMT 2 Aug 85/

WORK BEGINS ON BRIDGE--Jinan, 3 Aug (XINHUA)--Work has started on China's first box-girder cable bridge--one of the world's most advanced designs--over the lower reaches of the Yellow river, a local official said today. The bridge, the 43rd across China's second-longest river, is being built at Shengli, China's second biggest oilfield, 40 km from the mouth of the Yellow river in Shandong province. It has been designed by senior engineers Li Shoushan, 46, president of the Shandong Provincial Communications Planning and Design Institute, and Wan Shanshan, 47, a section chief at the institute. Both won national awards for designing the Jinan Yellow river bridge. The new Shengli bridge will be 2,817 meters long and 19.5 meters wide. Four 55-ton lorries will be able to ride abreast across the bridge. Its main span of 288 meters will be the longest in China. The new design is cheaper than many others, attractive and will blend in with the surrounding environment, said Li Shoushan. Building work started earlier this summer, and is scheduled for completion in 1987. The bridge will solve the problem of long traffic jams of lorries waiting to use the Shengli ferry to get to and from the oilfield. Its construction will not only make transport more convenient for oil workers and the 1.4 million people in nearby Dongying city, but will also aid the development of the Yellow river delta and connect Jiaodong peninsula with Beijing and Tianjin, said the official. /Text/ /Beijing XINHUA in English 1034 GMT 3 Aug 85/



29 August 1985

SHANGHAI TO BUILD EXPRESSWAYS--Two expressways, one from Shanghai to Nanjing and one from Shanghai to Hangzhou, will be built in the Shanghai Economic Zone during the period of the Seventh 5-Year Plan. The length of the planned Shanghai-Nanjing expressway will be 297 km and that of the Shanghai-Hangzhou expressway 155 km. Both will have 4 lanes, a road surface 26 meters wide, but land to a width of 45 meters will be requisitioned to allow for a future expansion to 6 lanes. The whole length of the expressways will have limited access, elevated crossings, and will also be provided with the necessary auxiliary installations and control equipment. The departments in charge expect to complete all preliminary work in the course of this and next year and plan to have all lines finished and ready for traffic by 1995. [Text] [Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 12 Apr 85 p 1] 9808

HUNAN BUS TERMINAL--Changsha, 20 Jul (XINHUA)--A new bus terminal went into operation on 20 July in Changsha, Hunan. It is the largest passenger bus terminal in China. The new terminal buildings occupy an area of 13,000 square meters. Its two waiting rooms can accommodate as many as 2,000 passengers. When working at full capacity, it can handle more than 600 outgoing buses or some 35,000 passengers daily. The terminal has micro-computer-controlled televisions showing information on the departure and arrival of buses. Newly devised scales can show not only the weight of baggage but also the baggage charge. At present the terminal is linked with main highways in Jiangxi, Hubei, Guangxi, and 13 prefectures and cities and 48 countries in Hunan. [Summary] [Beijing XINHUA Domestic Service in Chinese 1233 GMT 20 Jul 85 OW]

SHANGHAI GETS AIRBUS--The Shanghai Branch of CAAC and the European Airbus Company sponsored a joint celebration on the evening of 3 July to mark the arrival of an A-310 aircraft in Shanghai. [Text] [Shanghai City Service in Mandarin 0100 GMT 4 Jul 85 OW]

BEIJING-JILIN AIR ROUTE--Changchun, 31 Jul (XINHUA)--A new air route linking Beijing with Jilin City, Jilin Province, will open tomorrow, local officials announced here today. The 1,100-km route is being flown by the China Air Transport Company in cooperation with Jilin City authorities. The city is an attractive summer resort, but it has been difficult for tourists to reach it because of poor transport facilities. A once-a-week service will be operated, with a flight time of 2 hours 10 minutes. /Text/ /Beijing XINHUA in English 0834 GMT 31 Jul 85/

CSO: 4020/312

## PUBLICATIONS

### 'CHINA STATISTICAL MONTHLY' INAUGURATED

Beijing TONGJI [STATISTICS] No 5, 17 May 85 p 50 [backcover]

[Invitation to subscribe to the CHINA STATISTICAL MONTHLY]

[Text] To meet the needs that have arisen with the reform of our economic structure and the opening up of our country to the outside world, the State Statistics Bureau will openly publish the CHINA STATISTICAL MONTHLY, its first issue to be dated July 1985, and will monthly publish progressive statistical materials on nationwide and regional socioeconomic developments, to be published by the China Statistical Publishing Company.

The CHINA STATISTICAL MONTHLY will mainly contain data on the following: the area and yield of agricultural crops, value and volume of industrial output, unit product consumption, productivity of material labor, volume of transportation, volume of postal and telecommunications business, fixed asset investments, increments in production capacity and volume of constructions, retail sales of social commodities, purchases, sales and stocks of commodities of state-run enterprises and supply and marketing cooperatives as well as those of large-scale department stores in 28 cities, main indicators of economic results of groceries, value and volume of import-export trade, chief indices of retail sales prices, cost of living indices for staff and workers, average retail sales prices for main commodities in 12 cities, total numbers of staff and workers and total amounts of salaries and wages, number of urban self-employed workers, sample investigations of income and expenditure of households of urban staff and workers and of rural households, etc. The monthly will contain not only data for that particular month, but also data for the months of last year and for the corresponding months in the year before last, which will be indispensable material for relevant departments and scientific research units in their study of changing trends in socioeconomic developments.

This periodical is published in sextodecimo format on the 25th of each month, 96 pages per issue. The price is 1 yuan; six issues will be published in the second half of this year. A one-time subscription is 6.72 yuan (including postage by registered mail and packing). Subscriptions will be accepted until 10 June.

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9808

CSO: 4006/801

AUTHOR: Jin Yan [0093 6056]

ORG: None

TITLE: "Misconceptions Concerning Difficulties in Breaking into the Japanese Market"

SOURCE: Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 5, 27 May 85  
pp 37-38

ABSTRACT: Japan's trade is her lifeline--many vital supplies rely on imports, such as energy sources, industrial raw materials and cereal grains. However, other daily necessities may find a market in Japan if consumer requirements are met, such as safety razors, typewriters, film, instant coffee, black tea, tomato paste, Coca Cola, computers, bulldozers, and photocopiers; these imported items occupy a large market share. One concept is central in Japan--the market is unique. It must never be thought that fast-selling items in European and American markets are automatically welcomed in Japan. Be objective. Market surveys are as important in Japan as anywhere else. Sales channels are especially vital in Japan owing to its import program: administrative guidelines, pre-commitment system, import permits, and quota imports. Cartels hold these all-important quotas, and imported goods gradually flow through fixed channels. These giant firms sent 80 percent of the estimated 470,000 commercial personnel abroad with an annual sales volume of 70 trillion yen [about \$300 billion]. That is why good contacts are the name of the game--a good sales agent. It is widely believed that underwear, fruit jam, handbags, cosmetics, expensive clothing fabrics, cars, Western furniture, earthenware, sweaters, and fur coats will have higher sales if they are superior in style, fashion and/or manufacturing technique than the Japanese products. Naturally, new techniques, new patents and new equipment helpful in upgrading productivity and boosting economic benefits are welcome imports into Japan.

10424

CSO: 4011/29

TAIWAN

## EFFECTS OF U.S. TRADE BILL DISCUSSED

HK310235 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)  
in English 31 Jul 85 p 5

[Article by Nicholas Way]

[Text] The director of the trade development department of the Taiwan Textile Federation, Mr David Chang, does not mince his words. "If the Jenkins Bill becomes law in the United States it will mean a trade war," he claims. "It will mean the end of the Multi-Fibre Arrangement (MFA), perhaps even the end of the General Agreement on Tariffs and Trade (GATT)."

Strong words to sew together, but from Mr Chang's point of view understandable. Because if the Bill does become law Taiwan stands to lose 45 percent of its textile exports to the United States.

Based on last year's figures--admittedly a boom year--it would mean the loss of up to U.S. \$1 billion in exports, and Mr Chang estimates it could cost between 60,000 and 100,000 jobs. He said this potential 45 percent market loss includes specific quotas (where Taiwan has a set export limit) and basket quotas (where there are no export limits).

The hardest-hit section will be items produced from man-made fibres, which comprise 73 percent of the industry's output. Taiwan concentrates on this sector as it cannot compete with other countries, such as Japan and South Korea, in producing cotton items because of the cost of importing the raw material, which is 15 to 20 percent higher. This is because Taiwan bans imports from China, and is forced to seek supplies from India, the U.S. and Egypt.

But typical of much of Taiwan industry, it has managed to bypass "political" obstacles and in volume terms its textile industry had the biggest share of the U.S. market last year.

Similar to Hong Kong, textiles have remained an integral part of Taiwan's industry. It ranked a close second behind electrical items as the island republic's major export earner last year, comprising 20 percent

at a healthy U.S. \$6.1 billion. This represented a 20 percent increase from U.S. \$5 billion in 1983. Of the U.S. \$6.1 billion Taiwan earned last year in textile exports, the U.S. absorbed slightly more than 40 percent.

The dominance of the U.S. is highlighted by the fact that Hong Kong was its second biggest market at 12 percent and Japan the third at 9 percent.

So obviously the Jenkins Bill has the industry deeply worried.

While there is a strong conviction that U.S. President Ronald Reagan--a "strong believer in free trade"--will veto the Bill if it passes the Senate and the House of Representatives, there is also an acute awareness of the political pressures he will face.

Next year is an election year for the House and a third of the Senate and Taiwan knows that last year's controversial country-of-origin ruling, even though it does not affect their industry, was largely the product of political maneuvering. They fear that while Mr. Reagan will not allow the Bill to pass, the trade-off will be in the form of different protectionist measures, probably by administrative fiat.

Taiwan, although it does not have official political ties with the U.S. still maintains close unofficial links, and particularly with certain members of the House and Senate who are sympathetic towards the island republic. Consequently, and while Taiwan maintains its lobbying remains at a low profile on this issue, it is continually pushing the anti-Jenkins case.

Ironically, in this campaign Taiwan finds itself opposing congressmen to whom it traditionally looks for support, and especially from the South. Such states as Georgia, North and South Carolina, where Taiwan has found strong support on such issues as defense procurement, are keen backers of the Bill.

Taiwan's lobbying also runs into difficulty because of the tariff barriers it maintains for its own industry. Unlike Hong Kong, it maintains tariff barriers of 40 to 60 percent on yarn/fabrics and up to 80 percent on apparel to protect a local industry that has proved itself competitive in international markets.

The Government is moving to remove these barriers, although according to Mr. Chang not fast enough from the industry's point of view.

While the Bill is the biggest problem facing the textile trade, there are some other loose threads. The enactment of the Labor Standards Law in August last year, which covers 75 percent of Taiwan's workforce, is proving a burden for some of the smaller companies. Providing

more generous benefits in the form of overtime, severance pay and retirement than is the norm for many of Taiwan's competitors, the cost is starting to bite just at a time when the industry is experiencing a downturn.

According to Mr. Chang, some bigger firms are biting the bullet and are using this legislation to lay off staff and automate their factories. But some smaller concerns are finding it costly, and if the industry goes into a serious tailspin, the ensuing rationalization is likely to see four firms go to the wall.

However, it should not be inferred from this that bigger is better for every section of the industry. One of the strengths of Taiwan's textile trade has been the ability of firms to meet small orders, particularly for apparel items, of as low as 60 dozen and still show a black result on the bottom line.

By contrast, Mr. Chang said the South Korean industry found it difficult to profitably handle any order of less than 1,000 dozen.

Adding to the problems caused by falling demand in the U.S. market is the fact that many banks are limiting credit lines to industry as one major spin-off of the Cathay scandal.

Traditionally, financial institutions have stood behind the industry in previous downturns. But now banks, and particularly local banks, are basing credit decisions on assets rather than past export performance. And with the application of this criteria, many firms are finding it difficult to secure loans.

Tying together these threads are the export figures for this year.

In the first five months to 31 May, total textile exports dropped nearly two percent to \$2,047.1 million from \$2,088.6 million in the same period last year. And the figures for May alone show a decline of 10 percent to \$464.3 million from \$518.1 million in the corresponding month last year.

For an industry whose exports expanded 20 percent last year, this highlights the difficulties it is now facing. Tighter credit, tougher labor laws and increasing protectionism in its major market all spell both long and short-term problems for the industry.

The end effect will probably be greater rationalization within the industry, and a greater realization that for Taiwan to enjoy unfettered access to overseas markets it must offer that same privilege in its own back yard.

CSO: 4020/324



TAIWAN

# MINISTRY MOVES TO LIBERALIZE FOREIGN TRADE

OW090325 Taipei CNA in English 0235 GMT 9 Aug 85

[Text] Taipei, 8 Aug. (CNA)--The Ministry of Economic affairs [MOEA] has decided in principle that it will include in the draft foreign trade law provisions related to free trade policy and a legal framework for handling cases of industrial espionage.

The decision was made Thursday at a meeting of ranking officials with the ministry. The participants at the meeting passed seven of the 44 articles of the draft foreign trade law during the discussion.

Vice Economics Minister Wang Chien-Hsuan said after the meeting that the main purpose in drafting the law is to advocate the spirit of free trade, and to establish a legal basis for economic units to handle foreign trade issues.

According to the articles passed Thursday, the Economic Ministry or other government units it designates may negotiate or sign agreements with other countries on issues related to foreign trade. Non-governmental organizations, under MOEA's authorization, may also represent the government in holding trade talks with other countries.

Import and export products will be divided into two categories. Except for those products that are placed under control for defense, security, education, culture, or economic reasons, other products should be allowed free entry and exit, Wang said.

Wang said that although the products which are not under control will be allowed to be imported to this nation, the Economics Ministry may still impose certain restrictions on such issues as the qualifications of importers, origins of imported products or the quantity and prices of imported products.

After the draft law is passed, Wang said, no one will be allowed to disclose or sell trade documents which have been listed by the government as classified without the approval of the government or document owners.

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TAIWAN

ECONOMIC PANEL NOTES FAVORABLE TRADE POSITION

OW090341 Taipei CNA in English 0241 GMT 9 Aug 85

[Text] Taipei, 8 Aug (CNA)--The Executive Yuan, in a cabinet meeting Thursday, decided in principle to accept the Economic Renovation Committee's suggestion to ease control over foreign exchange by relinquishing the current import and export permit system.

An official with the Executive Yuan said if the plan materializes, an importer or exporter will no longer need to apply to the government for permits before importing or exporting products. The government's examination and screening work will be done after the transactions are completed.

This yuan official said that more detailed measures will be made public after they are discussed by the Finance Ministry, Economics Ministry and the Central Bank of China.

Citing several examples to explain the new plan, the official said that in the future, transactions of services or products with foreign customers may be made through long-term foreign exchange bills. This will prevent domestic businessmen from running the risk of fluctuation of foreign exchange rates, he said.

Importers or exporters who meet the requirements of the government may ask the responsible agencies to check on the balance of their foreign exchange accounts on a regular andperiodical basis instead of making a report on every account of their transactions, he said.

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TAIWAN

## U.S. TRADE PROBLEMS MAY LEAD TO PROTECTIONISM

OW030420 Taipei CNA in English 0327 GMT 3 Aug 85

[Text] Washington, 2 Aug (CNA)--Although the U.S. Federal Government under President Reagan is standing fast against protectionism a senior official at the Coordination Council for North American Affairs fears that deafening complaints about the trade imbalance from the rest of the country could become so overwhelming that the federal government would cave in and protective measures would prevail. He called for urgent consideration of counter measures by the Republic of China to defend against the onslaught of U.S. trade protectionism. The official was pessimistic about U.S. ability to overcome its trade deficit problems, which this year could reach 150 billion.

U.S. Congress adopted Thursday a federal budget of \$96 billion for fiscal year 1986 (Beginning Oct. 1 this year), without having been able to cut federal deficit to its projected target. The deficit for the 1986 fiscal year is now projected by official sources at \$171.9 billion.

The fiscal 1985 deficit is projected at \$209.8 billion.

Observers said the fact that the administration and the Congress are unable to further reduce the nation's huge budget deficit indicates that the dollar will remain high on the international market. The fact that the dollar will continue to be high means the nation's trade deficit will remain large.

The Republic of China was the third largest country on the U.S. trade deficits list in 1984, enjoying favorable balance of trade of \$11 billion. In the first half of 1985, the Republic of China's exports to the U.S. amounted to \$4.2 billion and imports at \$2.414 billion, leaving a balance of trade in the Republic of China's favor of \$4.7 billion. The U.S. Department of Commerce has projected its trade deficit with the Republic of China this year at \$13 billion.

Of the more than 300 pieces of protectionist legislation introduced by lawmakers, three stand out as the devastating for the Republic of China. A bill to cut textile imports, a bill to set non-rubber shoe quota, and a bill to impose a surcharge of 25 percent across the board.

There are still optimists who believe protectionism will not prevail. They say when the U.S. impose protectionist tariffs in 1933, the country was plunged into the great depression. Furthermore protectionism would touch off an international trade war which would benefit nobody, including the U.S. there are enough modernday examples of trade measures that backfired. In the 1970s, the U.S. slapped extra duties on German-made Volkswagens to retaliate against European poultry tariffs--only to let Japanese cars enter the American market. A 1976 embargo on U.S. soybean exports to keep domestic prices down led to the emergence of Brazil as a major competitor in the world market. These lessons should not be ignored.

It is agreed, however, that the U.S. Government, facing mounting complaints about trade deficits, would undoubtedly apply pressure on nations which have a trade surplus with the U.S. Officials did not hide their dissatisfaction with Japan's latest proposal to open its markets to foreign imports. Under congressional pressure, the administration is expected to continue to pressure its trade partners.

And congressional pressure is increasing. House Majority Leader Jim Wright and Representatives Don Bonker and Sam Gibbons told Reagan in a letter that unless the President takes immediate action to address the growing American trade deficit, Congress will pass legislation to curb imports.

They accused the administration of being naive to rely on the principles of free trade while the rest of the world violates those principles.

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TAIWAN

# ECONOMICS MINISTER SPEAKS ON DEVELOPMENT NEEDS

OW070555 Taipei CHINA POST in English 4 Aug 85 p 8

[Excerpts] In an economic seminar entitled "the Current Economic Situation and Future Policy" participants warned of short sightedness in making long-term policy. Minister of Economic Affairs Lee Ta-hai, said: "We need to continue laying the foundation of our changing economy for the future."

Sponsored by the Ming te Foundation and held at the City Hall, the seminar explored the current economic stagnation and offered remedies for a healthy recovery. Minister Lee said only by establishing a stronger economic order from top to bottom will a sound economy be ensured in the coming generation.

The seminar guest speaker, Dr. Dzra Vogel, author of "Japan No. 1," said the current recession is temporary and shouldn't be used as a base for long-term planning.

In the short run, easing of investment regulations to stimulate the economy is needed, Lee said and added that the long term requires effective use and training of our human resources.

Wang Tso-Jong, an economist at National Taiwan University said the economy needs the government to show its leadership ability. People are not investing in the long-term and are seeking only short term gains, he added. This disrupts the economy and the business cycle. He also advised devaluing the NT Dollar to help boost the sagging export market. Wang further said the quality of management in the ROC [Republic of China] has not kept pace with the increasing sophistication of their products.

Minister Lee pointed out that diplomatic isolation has hurt confidence and rampant nepotism is straggling industry. He said the government's only resource is people and it must provide the education and training to allow qualified people to assume decision-making positions. Easing of banking restrictions and encouraging of foreign investment was also cited by Minister Lee as cricial for development. Traditional industries should not be forgotten when policy makers look at the future, he added.

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TAIWAN

ECONOMIC PANEL NOTES FAVORABLE TRADE POSITION

OW)80321 Taipei CNA in English 0241 GMT 8 Aug 85

[Text] Taipei, 7 Aug (CNA)--The Republic of China's [ROC] economic situation is better than those in South Korea, Hong Kong and Singapore considering their performances in trade and inflation rates in the first half of this year, according to a study report Wednesday.

There is no need to sharply devalue the exchange rate of the NT dollar against the U.S. dollar since this nation enjoyed a U.S.\$4.8 billion trade surplus in the first six months, members of the Economic Renovation Committee's [ERC] panel on banking said in their report on the competitiveness of the four newly industrialized countries.

As the U.S. dollar has been revalued drastically against other major world currencies, they said, the NT dollar has to be devalued sharply against major Western European currencies and the Japanese yen if it is to maintain a certain fixed relationship with the U.S. dollar. This will adversely affect the competitiveness of Taiwan-made products in international markets except in the United States.

The ERC panelists said they believe that as the ROC continues to enjoy a huge trade surplus, the government will have to further liberalize imports and relax control of foreign exchange to alleviate pressures to revalue the NT dollar.

According to an index of effective foreign exchange rates drawn up by Morgan Guaranty Trust Company of the United States, they said, although the index on the HK dollar was a little higher, those of the NT dollar, the Korean won and the Singaporean dollar were close to each other during the January 1984-April 1985 period. Therefore, the price competitiveness of products made in these four newly industrialized countries is almost the same.

The statistics show that the ROC trade surplus stood at U.S.\$4.8 billion and Hong Kong had a U.S.\$37 million surplus while South Korea and Singapore had deficits of U.S.\$987 million and U.S.\$1.56 billion, respectively, in the first half of this year.

As to consumer price fluctuations in the first six months as compared with the corresponding period in 1984, the statistics show that they were up 0.42 percent in the ROC, 0.43 percent in Singapore, 2.15 percent in South Korea, and 3.47 percent in Hong Kong.

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